IMT Nuremberg Archives

H – 1118

International Court of Justice

H1118 - 0002

TABLE OF CONTENTS

Economic Aspects of the Conspiracy

		No.
D 157	Brief Krupps an Hitler betr. die Organisation der deutschen Industrie. (Letter from Krupp to Hitler concerning the organization of the German industry).	1
D 167	Bericht über Sitzung in Essen am 12 Oktober, 1937 betr. Abwehr von industrieller Spionage (Memorandum on meeting at Essen on 12 October, 1937 concerning combined services intelligence).	2
D 203	Rede Hitlers zu Industriellen bevor Wahl im März, 1933 (Speech of Hitler to leading members of industry before the election of March, 1933).	3
D 204	Erklärung Krupps betr. politische Organisation von Staat und Wirtschaft. (Statement of Krupp concerning political organization of state and economy).	4
D 206	Aktennotiz betr. Verteilung offizieller Propagandaschriften im Ausland. (Memorandum concerning distribution of official propaganda literature abroad).	5
D 317	Rede von Krupp zur Gelegenheit einer Einladung der Universtät Berlin im Januar, 1944, aber nicht gehalten. (Speech written by Krupp on the occasion of an invitation to the University of Berlin during January, 1944, but not delivered).	6
PS-699	Brief Funks an Hitler vom 25 August, 1939. (Letter from Funk to Hitler dated 25 August, 1939).	7
PS-1168	Bericht Schachts an Hitler vom 3 Mai, 1935. (Memorandum from Schacht to Hitler dated 3 May, 1935).	8
PS-1301	Finanzierung der Rüstung, (13 Dokumente). (Financing of the armament (13 documents).	9
PS-2261	Reichsverteidigungsgesetz. (Reich Defense Law) Grundlagen	10
PS-2353	Thomas, Generalmajor/für eine Geschichte der deutschen Wehr - und Rüstungswirtschaft. (Thomas, Major-General, basic facts for a history of German war and armament economy).	11
EC 14	Thomas, Rede vor der Wehrmachts Akademie gehalten am 1 November, 1937. (Speech before the Wehrmacht War College on 1 November, 1937, by Major-General Thomas).	12

***

Footnote: ***For document EC 27, see end of table.

H1118 - 0003

EC 28 Vortrag von Generalmajor Thomas gehalten am 24 Mai, 1939 im Auswärtigen Amt. (Lecture of Major-General Thomas delivered on May 24, 1939 at the Foreign Office). 13

EC 128 Bericht über den Stand der Vorbereitungen für kriegswirtschaftl. Mobilisation am 30 September, 1934. (Report on the state of preparations for war economic mobilization as of 30 September, 1934). 14

EC 174 Zusammenfassung "Kriegswirtschaft" Ausflug nach Godesberg unternommen vom Generalstab zwischen 25 Mai und 2 Juni, 1937. (Summary "war economy" trip to Godesberg undertaken by General Staff between 25 May and 2 June, 1937). 15

EC 177 Sitzungsbericht der zweiten Sitzung des Arbeitsausschusses der Referenten für Reichsverteidigung. (Minutes of the second session of the Working Committee of the delegates for Reich defense). 16

EC 252 Brief von Schacht an Blomberg vom 8 Juli, 1937. (Letter from Schacht to Blomberg dated 8 July, 1937). 17

EC 257 Abschrift eines persönl. Briefes von Schacht an Thomas vom 29 Dezember, 1937. (Copy of personal letter dated 29 December, 1937 from Schacht to Thomas). 18

EC 297a Wiener Rede des Reichsbankpräsidenten Dr. Hjalmar Schachts. (Address in Vienna of the Reichsbank president, Dr. Schacht). 21 March, 1938 19

EC 369 Depesche und Brief Dr. Schachts an den Führer und Reichskanzler, Januar, 1939. (Telegram and letter from Dr. Schacht to the Führer and Reich Chancellor, January, 1939). 20

EC 383 Artikel über Schacht im Militärwochenblatt, Januar, 1937. (Article about Schacht in military weekly gazette, January, 1937). 21

EC 397 Brief Hitlers an Schacht vom 19 Januar, 1939. (Letter from Hitler to Schacht dated 19 January, 1939). 22

EC 404 Sitzungsbericht der 6 Sitzung des Arbeitsausschusses des Reichsverteidigungs Rates vom 7 Februar, 1934. (Minutes of conference of the 6 session of the Working Committee of the Reich Defense Council, dated 7 February, 1934). 23

EC 405 Geheimer Sitzungsbericht der zehnten Sitzung des Arbeitsausschusses des Reichsverteidigungsrats. (Secret minutes of the tenth meeting of the Working Committee of the Reich Defense Council). 23A

H1118 - 0004

EC 408	Vortrags Vermerk über den Vierjahresplan und die Vorbereitung eines Kriegswirtschaft vom 30 Dezember, 1936. (Memorandum report about the Four-Year Plan and preparation of the war economy dated 30 December, 1936).	24
EC 416	Sitzungsbericht des Ministerrats vom 4 September 1936. (Minutes of Cabinet meeting dated 4 September, 1936).	25
EC 436	Eidesstattliche Versicherung Emil Puhl vom 2 November, 1945. (Deposition by Emil Puhl on 2 November, 1945).	26
EC 439	Eidesstattliche Versicherung von Georg von Schnitzler vom 10 November, 1945. (Sworn affidavit of Georg von Schnitzler dated 10 November, 1945).	27
EC 27	Vortrag von Generalmajor Thomas vor dem Dozenten-Lehrgang des Lehrstabes vom 28 Februar, 1939 in Saarow-Pieskow. (Address of Major-General Thomas before the 'Dozenten-Lehrgang' (staff instructors' course) of 28 February, 1939 in Saarow-Pieskow).	28

H1118 - 0005

TRANSLATION OF DOCUMENT D 157
OFFICE OF U.S. CHIEF OF COUNSEL.

COPY.

File No. 183 v.B. 25 April 1933.

Dear Mr. Reichs Chancellor!

Referring to the kind letter of the Secretary of State of the Reichs Chancellory, dated the 10th of this month, Ref No. 3646, I respectfully enclose herewith a statement which represents my view concerning the reorganization of the Reichs Association of German Industry and of the trade associations as a whole. I am also adding a synopsis of statements concerning the programme of the REICHS ASSOCIATION of German Industry in previous years.

The standpoint taken by the REICHS ASSOCIATION of German Industry concerning the question of reorganisation of trade associations has been characterised, on the one hand, by the simplification and rationalisation of all the industrial groups. This was aimed at in the widest circles of the REICHS ASSOCIATION and, last but not least, by myself. On the other hand, it was characterised by the wish to co-ordinate, in the interest of the whole nation, both economic measures and political necessity, adopting the Führer conception of the new German State. Industrial associations should be formed which are as simple and powerful as possible, closest to present conditions, and retaining the valuable privilege of free industrial administration. For me, this standpoint is a political and economic necessity.

I feel convinced that this task of reorganisation can be realised only through an active economic self-administration based upon the creative energiesof each employer and employee, and recognising the principle which combines the National Idea with National Responsibility. This should be done by the closest contact between the Reich Government and its representatives on one side and the REICHS ASSOCIATION on the other. In this respect I am convinced that the deciding factor leading to the success of the reform is not to be found in the outward form of the organisation itself but in the spirit, in which union between political leadership and economic necessity is established for the benefit of the State and people.

The presiding council of the REICHS ASSOCIATION of German Industry has entrusted me, as its chairman, with the task of reorganisation in a resolution passed at its extraordinary session held on the 6th of this month. The REICHS ASSOCIATION of German Industry, dear Mr. Reichs Chancellor, puts itself at your disposal and at the disposal of the Reich Government for all necessary negotiations. At the same time I respectfully request the confidence and assistance of you and of the Reich Government in the task of reorganisation which shall serve to render the trade association a most useful instrument towards the purpose of rebuilding a national economy.

Assuring you, dear Mr. Reichs Chancellor, of my highest esteem, I have the honour to be.

To: Reichs Chancellor
Hitler
Berlin.

Very respectfully yours,

KRUPP BOHLEN HALBACH.

H1118 - 0006

TRANSLATION OF DOC. D 157.
OFFICE OF U.S. CHIEF OF COUNSEL

Enclosure No.1 to the letter of Dr. Krupp von Bohlen and Halbach to Reichschancellor Hitler, dated 25 April 1933.

On April 6 of this year the Presiding Council of REICHS ASSOCIATION of German Industry empowered me unanimously, as its Chairman, to establish contact with the REICHSCHANCELLOR, the Government of the REICH and its officials, for the purpose of determining what measures shall be taken to simplify and remodel the trade associations.

By this unanimous resolution of the Presiding Council it is declared that:-

1) In view of the authority bestowed upon me to appoint representatives to deal with various problems on hand, I am solely empowered by the REICHS ASSOCIATION of German Industry to hold any necessary conferences with the Government of the REICH and its officials, and
2) under the same authority as in para (1) I am solely responsible on behalf of the REICHS ASSOCIATION of German Industry for all organisational reforms, especially those concerning personnel; which may result within the structure of the REICHS ASSOCIATION of German Industry.

By the resolution of the Presiding Council, the REICHS ASSOCIATION of German Industry has given me full powers which involve extraordinary responsibilities.

The following considerations led me to the acceptance of this extraordinary authority:-

The turn of political events is in line with the wishes which I myself and the Board of Directors have cherished for a long time. I am convinced that, under the threat of the impoverishment of our people, the machinery of government must be simplified to the utmost. For the same reason I did not fail to recognise a long time ago the necessity of rationalising our economic system.

Convinced that the opportunity of the hour must not be missed to obtain the best for our economic system I am employing the authority bestowed upon me by the Presiding Council to carry out a double task:-

1) In the negotiations with the REICHSCHANCELLOR and his representatives, I shall make it my goal to co-ordinate, in the field of organisation of industrial associations, the economically reasonable with the politically necessary.

2) In reorganising the REICHS ASSOCIATION of German Industry I shall be guided by the idea of bringing the new organisation into agreement with the political aims of the REICH Government and at the same time to make it so rational and forceful that it can be an effective instrument of industrial enterprise, according to the relative importance of the industry.

The task of re-organisation of industrial groups would be on too narrow a basis if in doing so I were to think solely of rebuilding the REICHS ASSOCIATION of German Industry. I know from my own experience how much individual firms suffer from circumstances of historical development which cause overlappings of industrial groups, frequently resulting in a lack of co-ordination in their formation.

This demands that we must also bring into the sphere of our coming tasks the numerous questions pertaining to the complex occupational formation of our economic system. The foremost aim of our economic system and especially of industry, must therefore be to eliminate organisations which are too complicated. In order to preserve the valuable privileges of free industrial self-management,

H1118 - 0007

the resulting organisations must be made as simple as possible.

After the Presiding Council of the REICHS ASSOCIATION of German Industry bestowed upon me the task of re-organisation in its resolution of April 6 of this year, it also stated that the still existing groups forming the REICHS ASSOCIATION of German Industry were to remain to some extent inactive until the task of re-organisation undertaken by me is accomplished.

I intend to use the period until reorganisation is complete by engaging especially qualified gentlemen as expert advisersfor the solution of specific problems. Since the management of the REICHS ASSOCIATION of German Industry needs the guidance of enterprise itself, I intend further to form special committees of experts to study specific questions, as for example, questions of organisation, question of the ethics in economic life, the examination of occupational aspects of trade policy, exchange and credit problems, as well as the field of taxation, etc. The decision of the Presiding Council specifies that I am to preside over all these committees that I am creating. As it is impossible for me to be present at all necessary meetings, I must have the authority to appoint various gentlemen as deputy chairmen.

As soon as my negotiations with the REICHS CHANCELLOT and his officials are concluded, and as soon as the proposed committees and the management of the REICHS ASSOCIATION of German Industry have drafted a plan for its re-organisation, I shall summon the leading groups of the REICHS ASSOCIATION of German Industry to a special meeting. It will be the task of the meeting to lay the corner-stone for the new structure of the REICHS ASSOCIATION of German Industry.

rts.

CERTIFICATE OF TRANSLATION
OF DOCUMENT D-157

20 November 1945

I, LEO LOEB, civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document D-157.

LEO LOEB

TRANSLATION OF DOCUMENT D 167
OFFICE OF U S CHIEF OF COUNSEL

File: 11/1, 22/1 Reference No: K.M. 44664 Date: 14th Oct.37

Memorandum of Herr SONNENBERG on the meeting at ESSEN on 12th Oct. 37.

Present: representing Combined Services Intelligence
(Abwehr-Abtlg. des R.K.M.)

Korvetten Kapitaen (E) MENZEL

Representing KRUPP Mü (part time)

Grm.

SONNENBERG

Subject: Exchange of Intelligence.

MENZEL represents Intelligence (Abwehrabteilung) (in charge: Admiral CANARIS) of the Combined Services ministry (R.K.M.); his department comes under the Defense office (Wahrmachtsamt) (in charge: General KEITEL) and is divided into Counter-Intelligence and Intelligence proper, the latter having subsections for Army, Navy and Airforce.

MENZEL asked for intelligence on foreign armaments (but not including matters published in newspapers) received by KRUPP from their agents abroad and through other channels to be passed on to Combined Services Intelligence (Abwehrabteilung des R.K.M.). They have been collaborating for some time in this way through frequent visits in a most satisfactory fashion with Messrs. ZEISS of JENA. Other firms were not mentioned, so it can be assumed that no contacts have yet been established with any of them.

On our part we undertook to supply information to the Combined Services Ministry (R.K.M.) as required. Apart from that it would be in the patriotic interest if KRUPP were kept informed concerning foreign artillery weapons and new methods and constructions. MENZEL agreed to that with the reservation that some information had to be kept secret for stringent reasons; he promised to do his best in this direction.

(Sgd) SONNENBERG

(Initialled) Grm.

H1118 - 0008

CERTIFICATE OF TRANSLATION

4th October 1945

I, Capt. L. N. Muddeman of British Army hereby certify that I am thoroughly conversant with the English, French and German languages; and that the attached is a true and correct translation, made under my supervision, into the English language from the (German) language, of the document (or excerpts therefrom as indicated) attached to, and referred to in the Certificate dated 3rd October 1945, bearing No. 167 signed by me.

Captain L. N. Muddeman

H1118 -0009

H1118 - 0010

TRANSLATION OF DOC. D 203
OFFICE OF U.S. CHIEF OF COUNSEL

With the year 1918 a whole system collapsed. That it had to come about was often predicted, as much by economic leaders as especially, by Geheimrat KIRDORF. The revolution which the year 1918 brought us was only conditional. In any case it did not bring about the revolution such as in Russia, but only a new school of thought, which slowly initiated the dissolution of the existing order. Bismark's statement:- "Liberalism is the pacemaker of Social-Democracy" is now scientifically established and proven for us. A given school of thought - thought direction - can unsuspectedly lead towards the dissolution of the foundation of the State. In our country also, a new direction of thought had gained ground which slowly led to internal disruption and became the pacemaker of Bolshevism.

Private enterprise cannot be maintained in the age of democracy; it is conceivable only if the people have a sound idea of authority and personality. Everything positive, good and valuable, which has been achieved in the world in the field of economics and culture, is solely attributable to the importance of personality. When, however, the defence of the existing order (DES GESCHEHENEN), its political administration, is left to a majority, it will go irretrievably under. All the worldly goodswhich we possess, we owe to the struggle of the chosen (AUSERLESENEN). Would we have had the present conditions in the Middle Ages, the foundations of our German REICH would never have been laid. The same mentality that was the basis for obtaining these values must be used to preserve these values. All values which make up the height of our culture originated from an entirely different mentality than that which seized its administration since 1918. The revolution is the first conclusion of a decade-old development of discord in our people. All over the world we experience this crisis of disunity. The people, however, react differently towards it, as for example in Russia and Italy. In the other countries, Germany included, this crisis, in its last possibilities and consequences, is not yet being recognized. Our people has not yet sufficiently recognized that there are two souls struggling for it. Our entire life is based upon common agreements. The smallest example of this is the family and it leads on up to the State. It is an impossibility that part of the people recognise private ownership while another part denies it. Such a struggle splits the people. The struggle lasts until one side emerges victorious. When a man deserts his unit he can be punished. When, however, 15% to 20% disregard their oath of allegiance, the unit must fail as a military instrument. The same applies to a State, if 15% of the people deny the State as a permanent recognized social order, no sound system can be set up for the general public. Therefore, it is impossible to maintain Culture, Art, Religion and Science, if a large percentage of the Nation refuses to abide by the thoughts which created such a Culture. Justice also can only be established upon generally recognised theories. Therefore, it can also be Bolshevistic, if it has to protect the Bolshevist cause. Such a condition of discord leads slowly but surely to agony, to the death of an idealogy. No two idealoligies can continuously live alongside one another. In such struggles the strength of a people eats itself completely up internally and therefore cannot act externally. It does not rest. This condition of attrition lasts until one party emerges victorious or the State itself dissolves, whereby a people loses its place in history. We live in such times now, when the die must be cast, and when we must decide whether we want to adopt a form of life that supports the State or to have Communism. The latter is also thinkable. It is often being said that Communism is the last step of humanity. I believe the very opposite; it is the origin of human development. It represents the most primitive form of human life. The deeper one delves into nature, the more alike becomes its achievements, they become as in Communism more and more homogeneous. The Communist principle does not hold water. It is not by chance that one person accomplishes more than the other. The principle of private ownership which has slowly gone into the general conception of justice and has become a complicated process of economic life, is rooted in this fact. The course which

H1118 - 0011

we have to take is clearly indicated. It is, however, not enough to say: We do not want Communism in (our) Economy. If we continue on our old political course, then we shall perish. We have fully experienced in the past years that Economics and Politics cannot be separated. The Political conduct of the struggle is the primary decisive factor. Therefore, politically clear conditions must be reached. As Economics alone has not made the German REICH so did politics not make Economics. But each one built steadily higher upon the other. As a hand-in-hand working of Politics and Economics brought us to our height, so meant the working against one another, as we experienced it after the revolution, continuous downfall. As I lay in the hospital in 1918 I experienced the revolution in Bavaria. From the very beginning I saw it as a crisis in the development of the German people, as a period of transition. Life always tears up humanity. It is therefore the noblest task of a Leader to find ideals that are stronger than the factors that pull the people apart. I recognized even while in the hospital that one had to search for new ideas conducive to reconstruction. I found them in Nationalism, in the value of personality, in the denial of reconciliation between nations, in the strength and power of individual personality. On this basis I tried to reach an understanding between two souls struggling with one another within the German people. The struggle which I undertook was so much harder because it was conducted during a time when the law for the protection of the weak and decadent held true, a law under which every nation is doomed to perish. Of course, nothing is being accomplished by simple denial of such ways of thought, one has to offer new thoughts. If one rejects pacifism, one must put a new idea in its place immediately. Everything must be pushed aside, must be replaced by something better.

For 40 years we are experiencing a continuous growth of Social Democracy. Bismark said shortly before he retired:- "If this keeps up, Marx must remain victorious".

The creative and decomposing forces in a people always fight against one another. In this struggle one side always gains ever greater heights than the other, and therefore I have been following the development of Social-Democracy with steadily growing concern and said to myself, we must come to a decision. I have repeatedly taken the occasion to point out to responsible people what dangers were threatening the German people. Time and again it was argued, amongst others, by von Seeckt, that at the present time this would mean civil war. And when, a few years ago, the number of Socialist seats went back a little, I was told triumphantly:- "Look here, the danger is already over". They always comforted themselves with the hope that the Socialist movement would slow down by itself. The danger, however, cannot be overcome by such means. Human beings are nothing less but equal, and if human beings are not led, they drop back into the most primitive ancient state. It was this perception that moved me to found a new Nationalist movement, which after 14 years of struggle has become a leading force in the German REICH. We must not forget that all the benefits of culture must be introduced more or less with an iron fist, just as once upon a time the farmers were forced to plant potatoes. For all this however, courage, and iron will and perseverence are essential.

We stand to-day facing the following situation:- Weimar imposed upon as a certain constitutional order by which they put us on a democratic basis. By that we were, however, not provided with an able governmental authority. On the contrary, as I criticised Democracy before, Communism had to bore its way constantly deeper into the German people. The result was an ever increasing tension, by which also - and that is almost the worst - the courts did not remain uninfluenced. Two fronts have thus shaped themselves which put to us the choice:- either Marxism in its purest form or the other side. One cannot assume the point of view and say:- the other side will gradually break through again. Such an attitude means defeat. When I wanted to act, I was advised to wait a while. But I did not agree to such toleration . With the very same courage with which we go to work to make up for what had been sinned during the last 14 years, we have withstood all attempts to move us off the right way. We have turned down the favour (benevolence) of the Catholic Centre Party (ZENTRUM) to tolerate us. HUGENBERG has too small a movement. He has only considerably slowed down our development. We must first gain complete power if we want to crush the other side completely. While still

H1118 - 0012

gaining power one should not start the struggle against the opponent. Only when one knows that one has reached the pinnacle of power, that there is no further possible upward development, shall one strike. In Prussia we must gain another 10 seats and in the Reich proper another 33. That is not impossible if we throw in all our strength. Then only begins second action against Communism.

Now we stand before the last election. Regardless of the outcome there will be no retreat (RÜCKFALL), even if the coming election does not bring about a decision. One way or another, if the election does not decide, the decision must be brought about even by other means, (Eben auf einem anderen Weg fallen) I have intervened in order to give the people once more the chance to decide their fate by themselves. This determination is a strong asset for whatever must possibly happen later. Does the election bring no result, well, Germany won't go to ruin. Today, as never before, everyone is under the obligation to pledge himself to success. The necessity to make sacrifices has never been greater than now. For Economy I have the one wish that it go parallel with the internal structure to meet a calm future. The question of restoration of the WEHRMACHT will not be decided at Geneva, but in Germany, when we have gained internal strength through internal peace. There will, however, be no internal peace until Marxism is eliminated (ERLEDIGT). Here lies the decision which we must go to meet, hard as the struggle might be. I put my life into this struggle day after day as do all those who joined me in this struggle. There are only two possibilities, either to crowd back the opponent on constitutional grounds, and for this purpose once more this election, or a struggle will be conducted with other weapons, which may demand greater sacrifices. I would like to see them avoided. I hope the German people thus recognise the greatness of the hour. It shall decide over the next 10 or probably even 100 years. It will become a turning point in German history, to which I pledge myself with glowing energy.

GOERING:- He counted on it that with political appeasement, domestic economy will also quiet down. No experiments would be made. However, to attain the goal, all forces must be mustered on March 5th. Above all it is important to penetrate into the circles that are still disconcerted with Marxism and slumber uselessly in aggravation and bitterness. Most of the internal political obstacles have been removed after unity with the other groups of similar idealogy was achieved under one plan. This present unity should be made deeper. No matter how the election comes out, the distribution of forces should remain the same. In the coming struggle everyone must perform in his own field. The German Nationals (DEUTSCHNAZIONALEN) will attack where successes can no longer be achieved by the National-Socialists. On the other hand the National-Socialists will be given a task which has no prospects for the others. Without doubt we must do the most work, for we must penetrate with our S.A. men into the darkest quarters of the cities and operate there from mouth to mouth and fight for every single soul.

GOERING considered to some extent the great dangers connected with this election battle. He then led over very cleverly to the necessity that other circles not taking part in this political battle should at least make the financial sacrifices so necessary at this time. These were so much more necessary because not even one penny of the taxpayers money would be asked for. Government funds would not be used. The sacrifices asked for surely would be so much easier for industry to bear if it realised that the election of March 5th will surely be the last one for the next ten years, probably even for the next hundred years.

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO D-203

20 November 1945

I, LEO LOEB, civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document D-203.

LEO LOEB

H1118 -0013

TRANSLATION OF DOC. D 204
OFFICE OF U.S. CHIEF OF COUNSEL

MEMORANDUM

On the 20th of this month I expressed to Reich Chancellor HITLER the gratitude of approximately 25 industrialists present, for having given us such a clear picture of the conception of his ideas. I then emphasized that it would not be advisable to enter into a detailed discussion, but that I would like to underline 3 points with which all present would be in agreement:-

1. That it is highest time to finally clarify the questions pertaining to demostic politics in Germany.

2. That we, just as he, consider that the object of every regulation is to benefit the interest of the German people as a whole, not that of individual professions or classes.

3. That it is also our opinion that only in a politically strong and independent State could economy and business develop and flourish.

22 February 1933

KvB.

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO D-204

20 November 1945

I, LEO LOEB, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document D-204.

LEO LOEB

H1118 -0014

TRANSLATION OF DOCUMENT D206
OFFICE U S CHIEF OF COUNSEL

Essen, 12 October 1939
Representative's Office

VB No. 431 vR/LB

MEMORANDUM.

CONCERNS:- Distribution of Official Propaganda Literature abroad with the help of our Foreign Connections.

On the morning of October 11 the District Representative of Ribbentrop's private foreign Office (DIENSTSTELLE RIBBENTROP) made an appointment for a conference by telephone. A. Mr. LACKMANN arrived at the appointed time, at 15.30 hrs. In answer to my question, with whom I was dealing and which official Bureau he represented, he informed me that he was not himself the District Representative of Ribbentrop's private Foreign Office, that a Mr. LANDRAT BOLLMAN was such and that he himself had come at Mr. BOLLMANN'S order.

Mr. L. informed me that there exists a great mix-up in the field of Foreign Propaganda and that Ribbentrop's private Foreign Office (SS OBERGRUPPENFUHRER LORENZ, Berlin) wants to create a tighter organisation for Foreign Propaganda. For this purpose the support of our Firm and above all an index of addresses (+) (ADRESSENMATERIAL) were needed.

I informed Mr. L. that our Firm had out itself years ago at the disposal of official Bureaus for purposes of foreign propaganda and that we had supported all requests addressed to us to the utmost. That we do not need a tight organisation, that we had the desire to handle things our way, as we had up to now. Above all, we would not like to let our Address-index out of our hands, because only we could estimate, if, for what purpose and to what extent, our connections abroad could be put to use. Only by personal handling can our connections abroad be used and kept receptive to effective propaganda. With the present lively activity of the "Secret Service" (++) it must be avoided, not only in the interest of our Firm but also in the interest of Germany as a whole, that our agents in neutral foreign countries would come through improper handling to the attention of the "Secret Service" and be economically ruined by it within a short time.

H1118-0015

I repeated that, due to all these reasons, we would like to refrain from giving out any foreign addresses. If additional distribtuions of propaganda literature were desired, a propaganda-leaflet should be sent to us, and after examining it, we would advise the official Bureau what quantity of such printed matter could be mailed abroad through us, at our expense, as heretofore.

Mr. LACKMANN mantioned at the end that the distribution of an illustrated extra-edition was being prepared, in which the particulars concerning the safe departure of foreign diplomats from Warsaw shall be given publicity. Expenses shall be met through advertisements; a full-page advertisement would cost 8,000 Marks. I had to repeatedly explain to Mr.L. that I am not competent concerning advertisements and I implied that we would hardly have any interest in such an advertisement.

/s/ (by stamp) v. Raussendorff.

TO:- Mr. Dr. Rademacher, General Office
" v. Bülow. (+)
" Martiny, Werba.
" Lonne, Information Bureau.
" Dr. Janssen, Berlin.
" Grusonwerk.
Germaniawerft.
Friedrich-Alfred-Hütte

(+) Underlined in the original text
(++) In English in the original text

CERTIFICATE OF TRANSLATION

27 Sept. 1945

I, Josif Marcu Jr., USA Army, hereby certify that I am thoroughly conversant with the English, French and German languages; and that the attached is a true and correct translation, made under my supervision, into the English language from the German language of the document (or excerpts therefrom as indicated)+ attached to, and referred to in the Certificate dated 27 September, 1945, bearing No 206 signed by Major A.M.S. Neave.

Josif Marcu Jr.

+ To be used where excerpts only are translated and to be struck out when entire document is translated

(Sgd) A.M.S.Neave
Major
D.A.A.G.
B.W.C.E. (ES).

H1118-0016

TRANSLATION OF EXCERPT FROM DOCUMENT D 317.
OFFICE OF U.S. CHIEF OF COUNSEL

Speech written by KRUPP for the occasion of an invitation to the UNIVERSITY of BERLIN during JANUARY 1944, but not delivered.

"Thoughts about the Industrial Enterpriser"

Resume of first 11 pages.

KRUPP goes into lengthy details about the human qualities and considerations that are required of leading men of Industry.

He points out the characteristics of leadership, and the necessity for sufficient industrial and financial background to fill a leading position.

From there KRUPP leads to the idea of "being born for leadership", and affirms his belief in a dynasty of industrialists. This leads to a discussion about the merits of armament factories and armament "Kings" for ones own country, and finally KRUPP continues. (PP.11)

"Therefore, I don't see why this thought still flutters in many a head occasionally - that the production of war materials should be a sinister trade! No: war material is life-saving for one's own people and whoever works and performs in these spheres can be proud of it; here enterprise as a whole finds its highest justification of existence. This justification - I may inject this here - crystallised especially during that time of the "Interregnum", between 1919 and 1933, when GERMANY was lying-down disarmed. I have already often repeated orally as well as in writing, and to-day I also want to restate to this group that, according to the terms of the Dictate of VERSAILLES (DIKTAT) KRUPP had to destroy and demolish considerable quantities of machines and utensils of all kinds. It is the one great merit of the entire GERMAN war economy that it did not remain idle during those bad years, even though its activity could not be brought to light for obvious reasons. Through years of secret work, scientific and basic ground work was laid, in order to be ready again to work for the GERMAN ARMED FORCES at the appointed hour, without loss of time or experience. This required many and various things, this demanded also the introduction of specific products suited to maintain the skills of experienced engineers and war-workers - this tremendous fund of knowledge and experience; this required further the equipping and maintenance of scientific laboratories and research establishments etc. etc.

Just as once a 100,000 men kept up the tradition of the old glorious Army so there also was - figurtively speaking a 100,000 men army of business men who kept up the tradition of war industry. The circumstances caused by the military collapse were even more difficult considering the necessary changes in old war plants to peacetime production, which in itself caused untold difficulties in politically confused times. It was necessary for instance, to expand the KRUPP WORKS into a structure capable of survival and competition, but, at the same moment they also had to be ready as war plants for future times.

Only through this secret activity of GERMAN enterprise, together with the experience gained meanwhile through production of peace time goods was it possible, after 1933, to fall into step with the new tasks arrived at restoring GERMANY'S military power, (only through all that) could the entirely new and various problems, brought up by the FÜHRER'S FOUR YEARS PLAN for GERMAN enterprise, be mastered. It was necessary to exploit new raw materials, to explore and experiment, to invest capital in order to make GERMAN economy independent and strong; in short; to make it war worthy. On the basis of various remarks of outsiders, who are able to overlook the entire situation from a vantage point, I may well say that GERMAN enterprise

H1118 – 0017

proved itself here again, by tackling and solving the new problems with that energy, that - I might say: enthusiasm, with which it has always approached historical tasks.

In this connection I want to bring to attention something else, something which probably has hardly been considered in other circles so far: That is the fact, that the proven success of the Four-Years-Plan, the creation of new raw materials as substitutes for scarce ones, something which at the beginning showed only the quiet and modest degree of success we had hoped to achieve, (brought about) that not only were the well-known materials fully replaced in the customary field of usage, but that the new raw materials go many times far beyond their conception as substitutes for many uses - I am almost inclined to say: can be moulded fully as one wishes. That applies to artificial rubber, to synthetic gasoline and to various other similar things, and opens new vistas for the future which cannot be envisaged to-day.

After 1933, the GERMAN businessmen did not undertake such historical tasks of greatest range and scope only in organizational, technical and commercial respects.

The National-Socialist Revolution has hardly ever brought another profession face to face with, in many ways such new sometimes fortunately shockingly new situations, as it has the enterpriser. Now he became the FÜHRER of his employees. It would of course be extremely unjust to claim that even before 1933 the enterprisers did not also have an understanding for this side of their profession leading and caring for people - for how could they otherwise have gained economic success in the long run? Particularly that is the pride of so many large enterprises, that they can look back to a rich and old social-political tradition, and yet, before 1933, it was made - God knows - many a time quite difficult for the enterpriser to act and show himself as the deeply responsibility-conscious leader of his business. This change since 1933 which occurred with almost elementary suddenness, concerning the conception about the spiritually founded partnership of interests between employer and employee. I am again making use of this old formula intentionally should be attributed to the singular genius of the FÜHRER and to his revolutionary movement, the FÜHRER who won through the power of his personality and his doctrines the whole of the GERMAN people to his expounded ideas of National Socialists idealogy. It is clear that through them by appointing the enterpriser as Leader of his employees by law, a much wider and nicer, more promising field of activity than before was assigned to him, full with success especially concerning the human aspect - and I think I may state here, that the GERMAN enterprisers followed the new ways enthusiastically, that they made the great intentions of the FÜHRER their own by fair competition and conscious gratitude gratitude and became his faithful followers. How else could the tasks between 1933 and 1939 and especially those after 1939 have been overcome! Not by force, but only through good will - more so: only through devotion and enthusiasm could and can tasks of such world historical scope succeed."

(Resume:) KRUPP then lists the social achievements of National Socialism that were interrupted by the War and continues to speak about the team work of employer and employee under conditions of War.

Another paragraph speaks about the position of the enterpriser in public life, and then KRUPP continues: (PP.20)

"Into the <u>future</u>, I think, and this you probably felt too, due to my previous statements, the GERMAN enterpriser may look with full confidence. He will be even more necessary in the political, economic and social structure of our GREATER GERMAN REICH after the War. I don't feel called upon to act as a prophet, but yet the grand vision of a <u>NEW EUROPE</u> floats happily before my eyes, and in this great space, which will then overflow with new economic, technical, transportation, commercial and financial problems of all kinds - in this NEW EUROPE one will not only need farmers, frontier-guard-peasants

H1118 - 0018

and tradesmen, state and private officials, but in all countries and provinces as well, daring enterprisers ready for decision. And again people will say as before, during my time in PEKING in 1900: "GERMANS to the Front!" The GERMAN enterpriser will have to be the model for the new type of European enterpriser - just as the GERMAN worker will determine the future type of the European expert worker."

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO D-317

20 November 1945

I, LEO LOEB, civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the pages indicated of Document D-317.

LEO LOEB

D 317 (contd.)

H1118 - 0019

TRANSLATION OF DOCUMENT NO. 699-PS
OFFICE OF U S CHIEF OF COUNSEL

Reich Minister Walther Funk

Berlin W 8, August 25, 1939
Unter Den Linden 13.

My Fuehrer!

For the congratulations which you transmitted to me on my birthday, in such extremely friendly and kind fashion, I want to thank you from the depths of my heart. How happy and how grateful we must be to you to be favored to experience these colossal and world-moving times, and that we can contribute to the tremendous events of these days.

General-Field-Marshal Goering informed me, that last night you - my Fuehrer - have approved in principle the measures prepared by me for financing the war, for setting up the wage and price systems and for carrying out the plan for an emergency contribution (Notopfer). This news has made me deeply happy. I hereby most obediently report to you that I have succeeded, through the provisions made already during the last month, to make the German Reichsbank internally so strong and so safe against attack from without that even the most serious disturbances of the international currency and credit systems would be absolutely unable to affect us.

In the meantime I have in a wholly inconspicuous manner converted into gold all assets of the Reichsbank and of the German economy abroad on which we could possibly lay hands. With the proposals worked out by me regarding a ruthless choking of any unessential consumption and any public expenditure and project not necessary for war we will be able to meet all financial and economic demands without any serious reverberations.

In my capacity as General-Plenipotentiary for the economy, appointed by you, my Fuehrer, I have regarded it as my duty to give you this report and this pledge in this hour.

Heil, my Fuehrer

Signed: Walther Funk

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CERTIFICATION OF TRANSLATION
OF DOCUMENT NO. 699-PS

21 November 1945

I, GERARD SCHAEFER, O-1332102, 2nd Lt., Inf., hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document No. 699-PS.

GERARD SCHAEFER,
O-1332102,
2nd Lt. INF.

H1118-0020

TRANSLATION OF DOCUMENT NO. 1168-PS
OFFICE OF U S CHIEF OF COUNSEL

Memorandum from SCHACHT to HITLER,
Identified by SCHACHT as Exhibit "A"
Interrogation 16 October 1945, Page 40.

May 3, 1935

Financing of Armament

The following explanations are based upon the thought, that the accomplishment of the armament program with speed and in quantity is the problem of German politics, that everything else therefore should be subordinated to this purpose, as long as the main purpose is not imperilled by neglecting all other questions. Even after March 16, 1935 the difficulty remains, that one cannot undertake the open propagandistic treatment of the German people for support of armament without endangering our position internationally (without loss to our foreign trade). The already nearly impossible financing of the armament program is rendered hereby exceptionally difficult.

Another supposition must be also emphasized. The printing press can be used only for the financing of armament to such a degree, as permitted by maintaining of the money value. Every inflation increases the prices of foreign raw materials and increases the domestic prices, is therefore like a snail biting its own tail. The circumstance that our armament had to be camouflaged completely till March 16, 1935 and even since this date the camouflage had to be continued to a larger extent, making it necessary to use the printing press (bank note press) already at the beginning of the whole armament program, while it would have been natural, to start it (the printing press) at the final point of financing. In the portefeuille of the Reichsbank are segregated notes (for this purpose: armament) of 3,775 millions and 866 millions, altogether 4,641 millions, out of which the armament notes amount to RM 2,374 millions (Status of April 30, 1935). The Reichsbank has invested the amount of marks under its jurisdiction, but belonging to foreigners in.....notes of armament. Our armaments are also financed partly with the credits of our political opponents. Furthermore 500 million Reichsmarks were used for financing of armament, which originated out of Reichsanleihe (Federal loans) placed with savings banks. In the regular budget the following amounts were provided. For the budget period 1933/34 RM 750 millions, for the budget period 1934/35 RM 1,100 millions, and for the budget period 1935/36 RM 2,500 millions.

The amount of deficits of the budget since 1928 increases after the budget 1935/36 to 5 - 6 millions RM. This total deficit is already financed at the present time by short term credits of the money market. It therefore reduces in advance the possibilities of utilization of the public market for the armament. The Reichsfinanzminister (Minister of Finance) correctly points out at the defense of the budget: "As a permanent yearly deficit.....is an impossibility, as we cannot figure with security with increased tax revenues in amount balancing the deficit and any other previous debits, as on the other hand a balanced budget is the only secure basis for the impending great task of military policy, for all these reasons we have to put in motion a fundamental and conscious

budget policy which solves the problem of armament financing by organic and planned reduction of other expenditures not only from the point of receipt, but also from the point of expenditure , e.g., by saving.

How urgent this question is, can be deducted from the following, that a large amount of task has been started by the state and party and which is now in process, all of which are not covered by the budget, but from contributions and credits, which have to be raised by industry in addition to the regular taxes. The existing of various budgets side by side, which serve more or less public tasks, is the greatest impediment for gaining a clear view over the possibilities of financing the armaments. A whole number of ministries and various branches of the party have their own budgets, and for this reason have possibilities of incomes and expenses, though based on the sovereignty of finance of the state, but not subject to the control of the Finanzminister (Minister of Finance) and therefore also not subject to the control of the cabinet. Just as on the sphere of politics the much too far reaching delegation of legislative powers to individuals brought about various states within the states, exactly in the same way the condition of various branches of state and party, working side by side and against each other, has a devastating effect on the possibility of financing. If on this territory concentration and unified control is not introduced very soon, the solution of the already impossible task of armament financing is endangered.

We have the following tasks:

(1) A deputy is entrusted finding all sources and revenues, which have its origin in contributions to the Federal government, to the state and party and in profits of public and party enterprises.

(2) Furthermore experts, entrusted by the Fuehrer, have to examine, how these amounts were used and which of these amounts can in the future be withdrawn from their previous purpose.

(3) The same experts have to examine the investments of all public and party organizations, to which extent this property can be used for the purpose of armament financing.

(4) The federal ministry of finances is to be entrusted to examine the possibilities of increased revenues by way of new taxes or increasing of existing taxes.

The up-to-date financing of armaments by the Reichsbank under existing political conditions was a necessity and the political success proved the correctness of this action. The other possibilities of armament financing have to be started now under any circumstances. For this purpose all absolutely non-essential expenditures for other purposes have not to take place and the total financial strenght of Germany, limited as it is, has to be concentrated for the one purpose of armament financing. Whether the problem of financing, as outlined in program, succeeds, remains to be seen, but without such concentration it will fail with absolute certainty.

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CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. 1168-PS

21 November 1945

I, CARL RICHFIELD, civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document No. 1168-PS.

CARL RICHFIELD

H1118-0021

TRANSLATION OF DOCUMENT 1301-PS
OFFICE OF U.S. CHIEF OF COUNSEL

Financing of the armament

The following explanations take as their premise the fact, that the execution of the armament program is by its speed and extent the mission of German policy, that everything else therefore must be subordinated to this purpose, unless the neglect of other questions would endanger the main goal. Even after 16 March 1935, the difficulty continues to exist, that one cannot attempt the influencing of the German people by propaganda for support of the armament, without endangering internationally our position. The financing of the armament program, already almost impossible, is being made especially difficult by that.

Further, another prerequisite must be presented. The printing press can only be used for the financing of armament to the extent which the maintenance of money value allows. Each inflation increases the prices of foreign raw materials, and increases the prices within the country; thus it is a snake, which bites its tail. The fact that our armament had to be camouflaged completely until 16 March 1935, and for the biggest part even afterwards, has led to that, that the printing press has already been made use of at the start of the armament program; whereas it would have been natural to put it at the final point of the financing. Of the 3775 millions in the portfolio of the Reichsbank plus 866 millions set aside in bills of exchange=total of 4641 millions, the bills of exchange to finance armament represent 2374 millions (status of 30 April 1935). The Reichsbank has invested most of the German mark sums, available to its administration and belonging to foreigners, in armament bills of exchange. Thus our armament was partly financed with the property of our political opponents. Also used for the financing of the armament program were the 500 millions RM, which came together through the Reich loan placed at the savings banks in Jan 1935. In the regular budget the following amounts were provided for the armed forces: fiscal year 1933/34 RM 750 millions, fiscal year 1934/35 RM 1100 millions, fiscal year 1935/36 RM 2500 millions.

The sum of the deficits of the budgets increase since 1928, according to the estimate 1935/36, up to 5 to 6 billions RM. At present this total deficit is already being financed by short-term credits from the money market. Thus it already burdens in this amount the possibilities of use of the public market for armament. The Reich Minister of Finance is justified in saying in his budget explanations: "Since an annual deficit.....is an impossibility permanently, since one cannot count with certainty an increased tax income, covering the deficit and other previous debts; since on the other hand only a balanced budget offers a secure basis for our great future task in the armament policy, fundamentally and consciously--a budget policy must be followed, which will solve the problem of financing of armament by organic and planned decrease of other expenses, not only from the point of view of income, but also of expenses, that means saving."

How urgent this demand is can further be construed from the fact that an unending number of tasks were attacked and are in the process of execution by state and party, all of which cannot be covered by the budget but by subscriptions and credits, which must be raised besides the regular taxes by business. This simultaneous existence of various budgets, which however all serve a more or less public purpose, present the greatest obstacle to the gaining of a clear picture of the financing possibilities of armament. A whole series of ministries and numerous agencies of the party have their own budget in addition to their share of the Reich budget, and thus accordingly income and expense possibilities, which, although they are based on the financial sovereignty of the state, are not subordinated to the control of the Minister of Finance and thus also not to the control of the cabinet. Exactly

H1118 - 0022

as in the field of politics, the too far reaching delegation of legislative authority to individuals in Germany has led to the condition of many states within the state, thus the condition of parallelism and divergence (Nebeneinander and Gegeneinander) of numerous state and party agencies has absolutely a disasterous effect on the financing possibility of armament. If in this field, no concentration and no unified control is introduced finally, one must fear the worst for the solution of the almost impossible task of financing of armament.

Thus the following tasks result:

1) A commissioner must at first determine all sources and incomes, which are derived from Reich, State and Party funds, as well as from profits of public or party enterprises.
2) Then, a commission, appointed by the FUHRER must investigate how these funds were used up to now, and how much can be taken from these funds in the future from their present purpose, and made available to the financing of armament.
3) The same commission has to examine the assets of all public and official party organizations, how the assets have been invested, and to what extent these assets can be utilized for the financing of armament.
4) The Reichministry of Finance is to be commissioned to investigate the possibilities of an increased tax income by the introduction of new taxes or the increase of existing tax rates.

The financing of armament previously by the Reich Bank was a necessity under the existing political conditions, and the political success has proved the correctness of this action. However now, other methods of financing of armament must be attempted under all conditions. With that, all not absolutely necessary expenses in other fields must be refrained from, and the entire, actually small, financial power of Germany must be concentrated on this one goal, the financing of armament. Whether the financial problem will succeed with this method of approach, is as yet doubtful, but without such concentration it will fail with certainty.

H1118-0023

Memorandum 9.III.1936
on the supply situation in the field of fuels and its effect on the Wehrmacht.

The simultaneous throttling and blocking of foreign sources of liquid fuel has caused an increasingly critical situation of supply of the German market since the beginning of the year 1936.

This situation calls for a description of the serious effects on the preparedness for action of the Wehrmacht and of the extraordinary measures which necessitate a decision in this matter.

The supply of the Wehrmacht is based on the home production, the reserves which can be made available in case of mobilization and the foreign imports which still for some time must fill the present gaps of supply.

I. The German production.

The anticipating measures taken during the last 2 years by the Reich Cabinet to increase the home production of fuel, will not bring about an essential improvement of the supply situation during the current year because of the time required for factory construction and the uninterrupted increase of demand, but cannot bring an appreciable relief until the year 1938. The list in enclosure 1 of the requirements in case of mobilization and of the supply of these requirements by production, as well as the graphs added to the other enclosures, show the influence to be expected from the German production on the entire supply.

The expanding German production favors mainly light fuels, especially fuel for airplanes, and in addition, oil for airplane engines. As to the other kinds required by the Wehrmacht in case of war, we cannot expect any improvement for the time being; as to heating oils it may be anticipated that the situation will deteriorate. The development of new processes (Uhde and Pott), the extent of which will shortly permit an opinion, offers certain possibilities of auxiliary supply which do not appear on the graphs, because the extent of the production possible until 1938 cannot yet be foreseen.

The inadequacy of the supply on the basis of home production is a fact which cannot be eliminated during the next 2-3 years, even with the greatest efforts and in spite of the planning started for additional expansion of production.

II. Reserves.

To assure the requirements of the Wehrmacht it becomes necessary to bridge the supply gaps by reserves. For the first period of mobilization the Wehrmacht relies on the reserves of business, especially of great importing corporations, which also in peace time consider stored reserves for about 3 months as indispensable for smooth distribution. The Wehrmacht ought to be enabled to count on the amount of these reserves remaining constant.

Beyond that the Wehrmacht accumulates its own reserves in large storage houses so that considerable national reserves will be available as buffers in case of supply difficulties.

III. Dependency of the overall supply on imports.

The obstacles to importing encountered to a large extent during the last eeks, and which have been brought about by an accumulation of economic-political events in foreign trade,

H1118 - 0024

endanger not only the maintenance of industrial reserves but also the continuation of the storage policy of the Wehrmacht. They shake the very foundations of the motorization program of industry and consequently also of Wehrmacht mobilization of mechanized vehicles to the extent planned for the case of war.

In particular large gaps have been opened:
1) due to the Russian prohibition of exporting petroleum, by which the benzol-association supplying about 20% of the German market got into considerable difficulties.
2) due to suddenly considerably increased demands of the Rumanians, who offer fuel only in exchange for foreign bills proper (Bardevisen) and/or at greatly increased prices in marks. The contribution of Rumanian imports to the supply of German requirements was 40% during the last year. The firm Olex which contributes 11% to the German market has already been forced, due to the obstruction of Rumanian deliveries, to decrease its business considerably and will face a close-down of its market supply if relief is not procured before June 1936. Due to this reduction of imports similar stoppages are to be expected by the other great organizations of distribution during the same period.

IV. Means to secure the supply.

In considering how to meet the situation the following devices are unbearable for the Wehrmacht:

1) Reduction of mechanized traffic because this would, in addition to precarious economic and psychological effects, bring about a throttling of German motorization, which in view of the requirements of the Wehrmacht in case of war, would be a shock to mobility and supply of replacements.
2) Just as undesirable is to be considered the diminishing of reserves. The industrial reserves constitute the basis for mobilization, which has to rely on firm figures which remain about constant. As a decrease of reserves has already started, the further development in this direction is to be counteracted immediately. Aid from the reserves of the Wehrmacht cannot be granted because these modest quantities being ultimate reserves cannot be diminished under any circumstances.

Consequently, only the following means are to be considered:
1) Conceding to the Rumanian demands of paying imports in marks on a considerably raised price-basis.
2) Additional payments in foreign bills proper (Bardevisen) of imports from Anglo-Saxon countries.
3) Investigation to what extent an improvement can be achieved by accelerating or expanding the facilities for German production.

The first course has been followed by the authorization to negotiate new contracts on the basis of the Rumanian demands. Adequate and punctual delivery to the market, however, is not yet assured hereby.

Re. 2.) Foreign bills (Devisen) for the minimum of the indispensable import requirements can probably be obtained only by reduction of import of other necessities. The narrow limits of the presently assured raw materials for armament do not allow for a decrease of such imports which are indispensable for the Wehrmacht. In particular we cannot do without the necessary quantities of metals required by the Wehrmacht for current procurements.

Re. 3.) As a result of investigations made, essential changes cannot be expected at a date within sight.

H1118-0025

V. Uniform management of the petroleum industry.

During the last few months the Wehrmacht has repeatedly emphasized the unavoidable call for a uniform and planned steering of the entire German petroleum industry. The present dangerous situation of the German fuel industry puts this necessity again into the spotlight. The lack of stern guidance in the present moment must lead to severest damages to the public and the defense of the country. The duty of a management according to plans of the petroleum industry must be in the first line to avert the permanent threat to mechanized traffic and the preparedness of the Wehrmacht for action lying in the extensive dependency on forces outside of the German sphere of control.

Enclosure 1 to "memorandum on the supply situation in the field of fuels and its effect on the Wehrmacht" of 9 March 36.

	Mob. requirements		Supply of requirements by production	
	1936 t/Jahr	1938 t/Jahr	1936 %	1938 %
Light fuels for car engines	900 000	1 530 000	43	60.5
Light fuels for airplane engines	460 000	600 000	39	61.5
(illegible), Fuel oil	650 000	1 280 000	11.6	22
Heating oil	800 000	1 200 000	30.6	22
Lubricating oil for car engines	80 000	150 000	22.5	23
Lubricating oil for airplane engines	35 000	55 000	-	22

H1118 – 0026

H1118 -0027

IIa Needed raw materials 4/28/1936

(with consideration of the program for the supply of ammunition, amounting to 200 million marks (Mil. RM.)
(for the months of April 1936 to March 1937 = 12 months)

supply needed, submitted to R.Wi.Min. (letter of 1/13/36)

copper	5400 t/month	(without plate VIII)
lead	2300 t/month	" " "
zinc	3100 t/month	" " "

supply needed, considering the 200 Mill.-plan.

copper	5850 t/month	(without plate VIII)
lead	3350 t/month	" " "
zinc	4020 t/month	" " "

Therefore the additional need amounts to

copper	450 t/month
lead	1050 t/month
zinc	920 t/month

Raw materials needed by parts of the Armed Forces
(for the months of April 1936 to March 1937)

opper	4830	670	175	175	5850
ead	2750	280	300	20	3350
inc	2420	160	260	1180	4020

Secret

Raw materials needed by the armed forces during the years 1935 and 1936

w materials		need 1936	t/month 1935
ron and steel			
on ore	Fe	130 000	80 000
anganese ore	Mn	7 000	4 000
romium	0,5 C	220	88
	0,5 C	100	86
lfram		80	15
lybdenum		40	8
nadium		3	1
ntalum		2	0.5
licon		400	250
on-iron metals			
pper		7 500[1]	4 670
ad		6 500[2]	3 520
ckel		275	174
n		150	89
nc		3 100[3]	1 830
uminum		2 720	1 900
timone		55	25
dmium		10	0.62
rcury		20	12
balt		10	3

te: 1) for cables 2100 t/months; starting on 1 Apr.36 possibly only 6000 t/month, including 2100 t/ for cables;

H1118 - 0028

TRANSLATION OF DOCUMENT 1301-PS
Continued

(Note: 2) for cables 4200 t/months; starting 1 Apr.36 7800 t/mont which means 5500 t/month for cables;

3) from this amount: sheet-zinc in the limits of the quota of the association of zinc-rolling-mills 340 t/month; starting 1 Apr.36 possibly only 700 t/month including sheet-zinc.

Raw materials	need.1936	t/month 1935
Leather goods (economy)		
skins and pelts	1 300	1 400
natural tanning matter	800	860
wood		
special foreign timber	170	150
grain, fodder & further agricultural products		
linseed	1 500	1 900
coal and salt		
oil coke* (and Pitch coke)	1 700	1 300
*of these 1500 t/month to produce the aluminum needed by the armed forces.		
various goods		
diamonds, amounting to a value of	RM. 15 000-/month	11 000 RM
cane	200	160
mica	18	15
magnesite	1 200	1 000
rubber and asbestos		
rubber	280	150
asbestos (spinasbest)	100	70
fat for industrial purposes		
glycerine	165	120
petroleum oils		
gas for plane engines	7 000	4 000
light fuel f. motor vehicles	3 000	1 500
lubrication oil f. plane engines	700	200
lubrication oil f. motor vehicles	500	150
gas-oil, (diesel)	7 500	1 200
heating oil	15 000	6 000

Situation re fuel

	Fuel for motorized vehicles		Fuel for airplanes		Gas-oil Diesel		Heating fuel		Oil for motor vehicles		Oil for airplane engines	
	Peace	case of mobil.	Peace	case of mobil.	Peace	case of mobil	Peace	case of mobil	Peace	case of mobil.	Peace	case of mobil.
	36	38	36	38	36	38	36	38	36	38	36	38
Total need of armed forces and economy t/year	2,000,000	1,650,000	80,000	600,000	800,000	1,300,000	500,000	1,200,000	75,000	150,000	5000	55,000
Production in entire Reich-territory t/year	900,000		80,000		230, 000		270,000		20,000		--	
Missing quantity t/year	1,100,000	750,000	--	520,000	520,000	1,020,000	230,000	930,000	55,000	130,000	5000	55,000
New planning	700,000		300,000		200, 000		?		20,000		15,000	

H1118-0029

H1118 - 0030

TRANSLATION OF DOCUMENT 1301-PS
Continued

Copy

Berlin, 15 May 1936

Prime minister General (Generaloberst) Göring
Raw material and Foreign exchange staff
Top Secret

To the Reichminister of war
Generalfeld marschall von Blomberg

Enclosed, a record of the conference of the council of ministers of 12 May 1936 in the afternoon is forwarded.

By order
/s/ Löb
Lt. Col. in the General Staff

Top Secret

Record
of the council of ministers on 12 May 1936 1700 hours

Chairman: Prime minister General GÖRING.
Reichminister of War Generalfeld marschall von BLOMBERG.
Reichsbank President and acting Reich and Prussian minister for Economy Dr. SCHACHT
Reichminister of Finance Graf Schwerin von KROSIGK
Prussian minister of Finance Prof. Dr. POPITZ
as the recording secretary Lt. Col. in the General Staff LÖB

Minister Schacht: shows the development up to now when two years ago, the decision for rearmament was made, it was decided to carry out the financing mainly outside the means of the Reichministry of Finance. This meant the commitment of the last reserve from the very beginning. A decision which did not seem without hazards. The memorandum of 3 May 1936 says the same thing.

In the course of the last two years, the program was increased more and more in its extent and speed. Thus the requirements of the Reichsbank were increased steadily.

It would be necessary to create, as basis for financing, a steady, prosperous economy, and therefore renounce the execution of other, partially irrational ideas and aims of the party. The psychological pre-requisite was not disturbed by the party as such, but by many individual groups of the party, again and again; personal attacks against Dr. Schacht and thus against the economy followed. Dr. Schacht has emphasized again and again, that one must follow a cultural and legal policy, which will save economy alone. However one must not describe it as greedy and selfish from the beginning.

Also money theories of the most variable kind have been published repeatedly, thus causing anxiety for the economy; to counteract this was practically impossible, as the propaganda machine of the party did not permit this.

Despite all this, Dr. Schacht continued to work, because he stands with unswerving loyalty to the Führer, because he fully recognizes the basic idea of national socialism and because at the end, the disturbances, compared to the great task, can be considered irrelevant. Previously, approximately 11 billions Mrks besides the budget have been raised for rearmament and employment without shaking the rates of exchange and currency; the rate of interest could be lowered.

The Fuhrer has repeatedly emphasized in personal talks and Cabinet meetings, that the speed of rearmament must be kept up until the spring of 1936. This was agreed to and carried out.

Prime minister Göring: has never heard about this time limitation.

Minister Schacht: The main question for the further execution of the program is, how much money can be gotten out of business. Some 8 billion can be consolidated annually by long term loans, 9 to 9 billion cannot be asked for; the possibility of making

available depends on the development of the money market. Full concentration of the money market through the Reichsbank is necessary.

If the Reichsbank should have to issue more notes than could be born by the currency, one must reach back to other factors.

Dr. Schacht will never be part to an inflation; the Führer also has decided in this sense. The danger of such a development is imminent. If a road is to be taken, which contains this danger, Dr. Schacht would like to drop out on time, so that he does not disturb the new course.

Dr. Schacht considers it impossible, that prices can be fixed by the state, if the same money policy is continued.

Prime Minister Göring: What is the basis of currency with the Reichsbank?

Minister Schacht: This question has nothing to do with the gold standard. It is a question of something imponderable, to recognize the time of which must be left up to a fine sensitivity. If by a surplus of money, the danger of devaluation of the mark exists, the state can and must take action from the financial side by taxes etc. Considering the material factor, it must be determined, that we are dependent for numerous goods on foreign countries. Even small percentages as a whole have considerable effect. In many cases, the necessity for import is caused by trade political relations; therefore the raw-material situation may not only be viewed and attacked from the production within Germany. The foreign relations must not be decreased all of a sudden. For instance the negotiations with STANDARD and SHELL were carried out on this basis.

Prime Minister Göring: When substitutes (ersatzstoffe) are sufficient in quantity, we shall no longer need the import, which presents us such difficulties.

Minister Schacht: In a series of cases, to be able to carry out the import, work from within Germany was utilized for compensation, for instance tankers for oil import corporations.

However it is especially required that nothing be said about intentions and measures of this field in public, so as not to aggravate the importers.

Prime Minister Göring: If the Führer has expressed himself in this direction, he did it to counteract the increasing possimism in the country in respect to this field.

Minister Schacht: In any case, all anxiety must be prevented. Foreign exporters have already shown less readiness to deliver against certificates of foreign exchange, since they apparently have no more confidence in the cashing of these certificates.

Prime Minister Göring: Our raw material situation is generally known to the world. The article published in the papers on 28 April 1936 did not contain anything secret. Actually the confidence abroad should have been increased by this publication, because generally the opinion was held abroad, that Dr. Schacht was protected by the Prime Minister against the party.

Minister Schacht: The situation at present is thus:

Some 64 million marks are already claimed by reembursement.

We must buy especially crude rubber and textiles; we have practically no crude rubber. Cellulose wool is not an adequate substitute, especially not for export goods.

The necessity for the closing down of manufacturing plants will soon result from this accordingly.

It must be decided whether the available gold should be all spent at the present speed or whether it should already be slowed down.

Swedish ores are still available for about 3 months. The export to Sweden becomes more difficult, and thus the import possibilities decrease.

H1118 - 0031

Prime Minister Göring: is of the opinion that our export to Sweden continues, so that one can further count on import.

Minister Schacht: The raw material supply of Germany amounted at the beginning of the war to a value of about 7 to 8 billions; now it is less than 1 billion.

Prime Minister Göring; has heard repeatedly, that export business was refused by the Reichminister for Economy. In the future, the departments will be caused by him to re-examine such occurences; perhaps then it will work differently than until now.

Minister Schacht: Increase of our export appears improbable in the near future. Further obligations arise through the Foreign Office, the Reichsbahn, Post Office, Party and other agencies; soon the consular service cannot be paid any more.

The time will come, when we will have no longer any reserves of either raw materials or foreign exchange at our disposal.

Prime Minister Göring: If we have war to-morrow, we must help ourselves by substitutes. Then money will not play any role at all. If that is the case, then we must be ready to create the pre-requisites for that in peace. The account just described could have also been presented, in his opinion, in the meeting this morning.

Minister Schacht: Publication is recommended for only the smallest circle.

Prime Minister Göring: It is necessary to inform the people required for the execution.

Minister Schacht: In his opinion only the ministers, not the state secretaries. In addition, each department must be called in individually.

Prime Minister Göring: The psychological pre-requisites for the correct approach to the work must be created everywhere. The actual work is done by the state-secretaries and the experts. In the future one must go much more into detail; confidence in the persons employed in this is absolute necessity.

Prime Minister Göring: summarizes the explanation by Minister Schacht: In short, demands on the Reichsbank can no longer be covered; only 64 million marks are still available.

Minister Schacht: declares that besides these 64 million Reichsmarks in the private banks, there are another 72 million Gold with the Reichsbank.

Prime Minister Göring: continues with the summary:

The shortage of raw material is known in its extent. A considerable increase is no longer possible, in the opinion of Minister Schacht.

Minister Schacht: The production of raw materials within Germany finds its limitation there, when an increase of prices of export goods is created by it.

Prime Minister Göring: One can separate requirements within Germany and export. Even the smallest details are important. The following appears necessary.

1) Increase of export despite all difficulties.
2) The raw material coverage within Germany.
3) The possibly necessary resettlement of workers and food fundamentals for the execution of all measures.

These problems all affect each other, so that the participation of all departments is necessary.

Appropriate example: Position of the farmer, who does not utilize the available possibility of intensifying of fertilizing, because the capital lost is not bearable for him in case of bad harvests. In such a case, the risk lying with the weather must be partially taken from the farmer by a special organization.

The Reichministry of Finance must also be consulted greatly in reference to the regular budget. Re-awakening of thriftiness in all fields belongs to this program.

Minister Popitz: The final conclusions made by Dr. Schacht are clear and convincing, under the condition that the bases for these conclusions are correct. That

H1118 - 0032

must be examined. It must be determined again, whether the principles, according to which the present raw material and foreign currency policy has been carried out with such a big success, are unalterable and correct.

The time when perhaps and inflation is feared is unclear; actually it is already here, even if it has a bearable extent.

An increase of export cannot be expected with the present system. However it is to be examined, whether there is not a better system. The basis of the present economic policy is deflationary. However it appears impossible to integrate the deflation into an actually existing inflation. It must be discussed, whether forced economy of export is to be continued.

It is to be examined further, whether the money for rearmament can be drawn out from the remaining economy. In no case may the condition arise, that the Reichminister for Finance and the Reichminister for Economy push the responsibility for the providing of funds to each other.

The difference between 2 billion Reichsmarks, which the Reichsbank believes to be able to raise on a long term basis, and the 8 to 9 billion Reichsmarks required for armament, cannot be covered by taxes. Therefore the following suggestion:

1) The raw material question, which can be solved comparatively simply, must be attended to at once by a special committee.

2) Illuminate critically the export question, so to say, in a scientific manner.

Minister von Krosigk: Economy of foreign exchange in detail is necessary. In that, small things also play a part. Equal saving is necessary in spending money within Germany. In contrast to Minister Popitz, he is of the opinion that expenses for armament must be taken over more and more by the regular budget. Expenses above this budget are to be covered

a) by long term consolidation of annually some 2 billion marks.

b) by short term bills of exchange and similarly.

The financing has succeeded up to now by these two means.

However the danger exists, the short-term bills of exchange can no longer be negotiated, so that flooding of the Reichsbank with MEFO bills would have an increased printing of banknotes as consequence.

Minister Popitz: In this case, printing of bank notes is only necessary if the money is absolutely necessary for payement of wages among other unavoidable things.

Minister von Krosigk: The decisive question for that is, whether inflation would actually happen by printing of banknotes to this extent. He does not believe so. The increase of prices observed so far was not caused by monetary reasons, but can be derived from increase of prices for raw materials and agricultural products. Thus one cannot speak of an inflation.

Prime Minister Göring: does not believe that an inflation would happen from the monetary angle.

Measures which in a state with a parliamentary government would probably bring about inflation, do not have to have the same results in a totalitarian state.

Important for this is the application of an appropriate propaganda, so that the co-operation of the propaganda ministry, promised by the Führer, is of great importance.

Minister Schacht: gives a summary of the holdings of bills of exchange in the Reichsbank at present:

4,353,000,000.--RM bills of exchange

3,731,000,000.--RM of which are in MEFO bills of exchange

2,200,000.--MEFO bills of exchange are deposited in clearing accounts.

More than 5 billions in bills of exchange are deposited thus, that they can be presented immediately in case of disturbances of the money market, caused by any measure.

Therefore any disturbance must be prevented under all conditions.

Prime Minister Göring: agrees to be the "shield" for the measure of financial nature, so that no disturbances would happen.

The regular budget is to take over the current up-keep of the armed forces, but not the costs of the reconstruction.

H1118 - 0033

Minister Popitz: It is to examined whether the regular budget cannot be relieved from interests and amortization quotas of advance drawings. Even the observing of the international bank law cannot prevent the using of these recognized necessary measures in this direction.

If the economy is started be increased export, naturally the circulation of money will increase and with that the possibility of further financing.

If the money, which had to be put into circulation, is only used for payment of wages, no inflation can take place.

Prime Minister Göring: orders:

1) Determination as rapidly as possible of the basis of payment.

2) Beginning of the execution work in the realm of raw material production within Germany.

3) Examination of the question of the export system.

In the next conference, contemplated for Friday afternoon, the examination of the export system is to take place.

First under his chairmanship (Göring's) the ministers Dr. SCHACHT, Graf SCHWERIN VON KROSIGK and Prof. Dr. POPITZ will consult each other. Then, immediately thereafter, the suggestions voiced there are to be discussed by a board of experts. The following were named for this board:

By Minister Schacht:
Reichsbank Director BRINKMAN
Reichsbank Director BLESSING
Ministerialdirektor Dr. SARNOW
By Minister von Blomberg:
Dr. TRENDELENBURG
By Minister Popitz:
Dr. SPRINGORUM
Dr. SOGEMEIER
Further
Reg. BURGERMEISTER KROOGMANN
Prof. WAYEMANN
and others, who will be appointed by the Prime Minister.

Prime Minister Göring: states that he can expect and demand discipline from the party, so that the protection of the individual auditor, called, is guaranteed.

Close of the conference; 1910.

H1118 - 0034

H1118-0035

Summary of the raw material situation 2 May 1936

	Iron ores		Aluminum		Crude rubber		Cellulose wool		Notes
Total requirement for the armed forces and the industry (estimated)	peace 1936	case of mobil. 1938	peace 1936	case of mobil. 1938	peace 1936	case of mobil. 1933	peace 1936	case of mobil. 1938	
	9.5 million	11 million	105,000	160,000	75,000	85,000	12,000-70,000	depending on import of natural fiber	
Production entire Reich industry	1.8 million		96,000		1000		12,000-70,000		
Deficit	7.7 million	9.2 million	9000	64,000	74,000	84,000	any increase in production would be taken up by the market		
Excess	--	--	--	--	--	--			
Tentative plans for expansion of own production	1.2 million proposal Keppler		----		2400		first increase until end of 1936 70,000 t		

H1118 – 0036

TRANSLATION OF DOCUMENT 1301-PS
Continued

Prime Minister General Göring
Raw Material and Foreign Exchange Staff

Berlin, 30 May 1936
Behrenstrasse 68-70
Telephone A 2 0048

Journal No...../36 (initial) BG th 2/6
(initial)

Rubber Stamp
Top Secret

To the
Reichminister of War
Generalfeld marschall von BLOMBERG

Berlin

Enclosed, a report of the conference of the council of ministers of 27 May 1936, is forwarded.

By Order
LØB
Lt.Col. in the General Staff

1 Inclosure:

Top Secret
Copy of meeting of Minister on 27 May 36, at 1130 o'clock.

Chairman: Ministerpräsident Generaloberst Göring
Reichskriegsminister Generalfeldmarschall von Blomberg
Reichsbankpräsident und kommissarischer Reichs- und Preussischer Wirtschaftsminister Dr. Schacht
Reichsfinansminister Graf Schwerin von Krosigk
Preussischer Finansminister Prof. Dr. Popitz
Recording Secretary: Lt.Col in the General Staff Löb

Prime Minister Göring: The two sessi ns of the board of experts held so far have brought forth interesting discussions. Naturally, opinions frequently disagree. The experts are invited to state their concepts in writing.

Today, discussion concerning the question of substitute-material. What objections are made to the production of war-raw materials within the Reich?

Minister Schacht: Principly there is nothing to object; a solution of the raw material problem by self-producing is absolutely necessary and agreed with, theoretically.

Difficulties are encountered with regard to:

1) serious monetary strain because of investments. Providing money by taxing capital is impossible. Circulation of money can not be increased beyond a certain amount. Previous measures executed correctly and without danger to monetary value. Further increase seems precarious; matter of confidence. This point of view alone, however, not determining; possible that funds could be drawn from industrial profits.

2) special scruples, regarding the cases where prices for substitute (Ersatz) material are far beyond world-market prices, and therefore the products cannot compete. (for example: tires made from BUNA). Adjustment would further increase the excise tax on exports. Inflation cannot be chosen, as this would immediately upset the state's budget.

It must be attempted to produce those raw materials within Germany which are economically favorable; for other raw materials ready reserves for the case of mobilization (Mobfall). Especially clear is the situation of flax; the complete covering of the requirement is possible; however not with hemp.

Certain raw materials for war must be stocked.

These viewpoints are recognized and followed by the Reich ministry for Economy. The execution is mainly dependent on the question of funds. Therefore, necessity to save in all fields, to make saved funds available for investment.

Prime Minister Göring: All measures are to be considered from the standpoint of an assured waging of war.

Ready reserves must ordinarily be accumulated already in peace in certain

H1118 - 0037

amounts.

It is to be attempted to use cheap imported raw materials for export purposes, expensive raw materials from within Germany. In cases where the price differences are small, probably creation of a settlement is preferred.

Minister Schacht: This settlement can be carried out either by compulsory mixing or by a price settlement by the state of the expensive raw materials.

In any case, price supervision must be introduced again.

Minister Popitz: Placing of the burden of increased prices on the consumer is possible when the difference is only small.

The other possible method is sales monopoly or wholesale monopoly of certain goods.

Minister Schacht: It is recommendable not to influence individual, large fields, for instance textiles, by prices; but to concentrate funds for the monetary subsidation of other fields of raw materials.

Minister von Krosigk: The question cannot generally be judged theoretically, but only practically with the use of individual examples.

Prime Minister Göring: At first, the specially urgent petroleum question is to be treated.

General agreement to that.

Minister von Krosigk: Present experience is that the beginning of new methods of sale or price guarantee by the Reich results thus, that soon new and cheaper production mehtods are found. This recommends a not too sudden expansion of production.

Prime Minister Göring: Waiting for new methods is no longer appropriate. Plan of the Reich forestry office for the utilization of wood is ready. Import of timber must be cut down in any case; strongest demands on German forests to be preferred at present and can be advocated.

It is to be decided, whether at the beginning, a risk bonus over 6% profit is to be granted.

Minister Schacht: turns against higher profits than 6%. Guarantee of interest-bearing is to be preferred, and must be sufficient.

Minister von Krosigk: discusses the advantages of the amortization program.

Minister von Popitz: In contracts many times rapid cancellation is contemplated.

Minister Schacht: At the beginning more consideration is recommended, later stronger concentration, with profit sharing by the Reich.

Minister Popitz: requests that the cancellation periods be re-examined by a special committee.

Prime Minister Göring: The summary is to be prepared for the next committee meeting about:

1) Inventory of German Raw Material possiblities.
2) Form of the present decrease.
3) Mobilization requirement.
4) How shall raw materials be handled? Especially clarifications whether production within Germany is to start already in peace or whether the stocking of reserves is more important.

Subject of petroleum also can be considered concluded, therefore is to be handled immediately.

In the next council of Ministers, discussion of the agricultural question, then Minister Darré and State secretary Backe present.

Minister von Blomberg: In the fuel industry it is to be decided whether conversion to solid fuels should already be carried out in peace, or whether, as in France, it is to be prepared for the mobilization case. If possible and recommendable, increased use of tar coke (Schwelkok), no diesel oil for railroads.

H1118-0038

Prime Minister Göring: Economy also absolutely necessary and to be insisted on in other fields of raw materials.

Minister von Blomberg: Examine as an example substitution of heavy metal by light metal (for instance cans of aluminum): general increase of the use of glass, especially for aerial bombs, maybe also for grenades; use of plastics for wide fields, even as far as transmissions. Certain hopes can be set on China. Therefore prevent political estrangement. Careful advances in the approaching of Japan necessary, at present the recognition of Manchukuo would be disastrous for Mr. Klein's current plans in China.

Prime Minister Göring: Common front of China with Japan against Soviet Russia can probably be produced.

(in green pencil) I did not express myself so specifically BL/

Minister von Blomberg: Japan is doubtful as a factor of military power.

Prime Minister Göring: Furthermore, the danger of Japan's turnabout always exists.

Results of the China affair cannot be viewed clearly because of the unclear inner political situation.

Minister Schacht: always has supported the attempts of Mr. Klein, because he especially hopes for food raw materials from China.

Minister von Blomberg: r recommends further collaboration with the Kaiser Wilhelm Gesellschaft, with whom the Reichministry of War had very good experiences. At its head is the scientific authority; other imminent changes for solution proposed by the party unbearable.

Minister Popitz: Nomination of Geheimrat Bosch is possible for this post, when his resignation from the IG is possible.

Minister Schacht: General complaints about the deterioration of German science; this is also harmful for export, since the missing replacement limits the execution of German engineering missions abroad and thus German orders from abroad.

Minister Popitz: Seconds these complaints. Actions by the party which remove the most important people is unbearable. Explanation by examples.

In the liberal arts, the consequences are not being felt immediately, all the more so in the natural sciences. If service etc should be limited to the first two semesters of study, then full time and freedom for scientific activity.

Prime Minister Göring: In Prussia then, difficulties are partially removed. Influence of the liaison staff not always fortunate. Role of Professor Wagner.

Puts to discussion a taking over of a Spanish tin source, which is being offered from the Swedish side.

Minister Schacht: Basically in agreement, particularly when in a partnership enterprise German achievements will result by deliveries of machines.

Prime Minister Göring: asks Minister Schacht to conduct negotiations in this spirit during his visit in Belgrade relative to Jugoslavia in the near future.

Minister Schacht: The copper mining in Jugoslavia must take place by excluding the French, who sell copper for foreign exchange only.

Prime Minister Göring: During the next ministerial session, the investigation of the problems in the agricultural sector has to be conducted in such a way that direct statements of Minister Schacht/Minister Darré should be made about the single problematic issues.

End of the session 13 o'clock.

H1118-0039

Fuel-supply situation
(1st draft of a plan for solution) 27 May 1936

	Light vehicle fuel		Airplane fuel		Gas oil		Heating oil	
	Peace	case of mobil.	Peace	case of mobil.	Peace	case of mobil.	Peace	case of mobil.
	36	38	36	38	36	38	36	38
Total requirement Armed Forces and Industry tons/years	2000000	1650000	80000	600000	800000	1300000	500000	1200000
Production in the entire Reich industry tons/years		1300000			220000		270000	
Deficit from requirements of mobilization tons/years		950000			1080000		930000	
To be covered by conversion (substitute fuel)					200000			
Necessary new plans		950000			880000		930000	
Proposal for a solution		3 Fischer plants of 320000 tons each by the end of 1937			4 IG-Pott plants of 220000 tons/year each by end of 1937		3 Fischer whole-Pott or distilling plants of 310000 tons/year each	
Costs		380 million RM			400 million RM		370 million RM	

Copy of draft

Top Secret 31 August 1936

The War Minister and Supreme Commander of the Armed Forces
(Der R.K. Min. u. Ob.d.W.)
No. 2001/36 Top Secret WH

4 copies
1st copy - draft
2nd copy - Reich Air Ministry
3rd copy - Reich Ministry for Finances
4th copy - President of the Reichsbank

1) To the
Reich Minister of Air and the Supreme Commander of the Air Forces General Göring
Berlin W 8

Dear General Goring!

The negotiations conducted until now in the commission for foreign exchange and raw materials which is under your leadership, have already shown the necessity of dealing also with the financing of the armed forces there also. I believe the time has now arrived that the commission should take up the treatment of this problem.

As a preparation of such a discussion I suggest the following:

I. Overstepping of the 1936 budget.

It has been proven, particularly from the decree issued 7 March 1936, that the sum of about 10 billions of RM which was provided for the Wehrmacht for 1936 is not sufficient.

1. Additional expenses in the army are needed in first place by
   a) the remilitarizing of the Rhineland
   b) the fortification of the Rhineland
   c) the setting up of all the 36 divisions already by 1 Oct 1936
   d) the speeding-up of motorization, particularly the establishment of 4 fully motorized Infantry divisions.
   e) the necessity of markedly increasing the reserve ammunition because of the increased number of divisions.
   f) industrial preparations in a great variety of fields
2. In the navy the required faster increase of personnel, the building of a 4th entry to Wilhelmshaven and the refortification of Helgoland cause additional expenses.
3. Air Force
   a) According to an order of the Fuehrer, the setting up of all-air force units has to be completed on 1 April 1937. Therefore considerable expenditures have to be made in 1936 which at the time when the budget for 1936 was made, were planned for later years only. Special additional expenses are caused by the creation of sufficient ground force personnel.
   b) In the air force the first introduction of new types has to take place in 1937. Therefore the required industrial preparations have to begin in 1936.

It follows that an additional sum of at least 3.6 billions of RM will be needed by the Wehrmacht for 1936.

Of this about 1 billion RM is allotted to Army and Navy together. In the case of the Army and Navy, the execution of the orders and, in consequence, the dead-lines for the payments of the deliveries lagged quite considerably behind the placing of the orders. Therefore it can be assumed that these 1 billion RM will not be needed in cash before 1 Apr. 1937. However, the orders for these 1 billion RM have been placed and in the fiscal year 1937 these 1 billion RM will also be needed in cash.

In the air force the additional expenditures amount to 2600 millions RM. Here the execution of the orders from the budget funds of 1936 as well as of the orders for the additional requirements is in full progress. The 2600 millions RM for the air force have to be made available in the fiscal year 1936.

As yet it cannot be ultimately settled whether the introduction of the two years' service will lead to further additional expenses.

II. Requirements for 1937

The preparatory works for the budget of 1937 have not been concluded. At present the requirements for 1937 are estimated to be for

1.	the army	6.5 billions RM
2.	the navy	1.2 billions RM
3.	the air force	6.0 billions RM
	Total	13.7 billions RM

H1118 - 0040

H1118-0041

Besides these 13.7 billions RM about 500 millions RM will be needed for the Reich defense requirements of the civilian departments.

III. Permanent requirements

According to a recently conducted survey, the component of the armed forces will have the following permanent requirement after the rearming is completed:

1. Army 3.6 billions RM
2. Navy 0.73 billions RM
3. Air Force 2.507 billions RM
   Total 6.837 billions RM

At present it is hardly possible to make an accurate estimate of the permanent requirements. In the case of the Army it is very likely that the amount for the permanent requirement will be considerably raised.

Later I will submit further material, particularly a statement about the requirements for the years until the completion of the rearming, as soon as the necessary inquiries are concluded.

I submitted copies of this letter to the Reich Minister for Finance, and to the President of the Reichsbank.

Heil Hitler!
Yours,

./. ./.

2) To the Reich Minister for Finances
Berlin W 8

3) To the President of the Reichsbank Dr. Schacht
Berlin SW 111

Copy (of 1)
for your kind information

4) WV

Chief WA Chief WH
signed P

Remark:

1. Major v. Wolff has given the letter addressed to General Göring to Lt.Col. Bodenschatz on 31 Aug.
2. I have personally handed the letters 2 and 3 to the President of the Reichsbank, Dr. Schacht, and to the Reich Minister of Finance, Count Schwerin von Krosigk, on Aug 31.

signed P

Copy authenticated
Hollender
Ministerial Councillor
30 Sept 36.

H1118 - 0042

TRANSLATION OF DOCUMENT 1301-PS
Continued

Note initialed (Blomberg?)

initialed: K 2/9 (Keitel)

President SCHACHT called me to him today at 1300 and requested me to forward the following to the Minister of War:

Schacht returned from the Führer with the greatest anxiety, since he could not agree to the economic program planned by the Führer.

The Fuhrer wants to speak at the party convention (Parteitag) about economic policy, and wants to emphasize there, that we now want to get free with all our energy from foreign countries by production in Germany.

Schacht requests urgently, that the Reichminister of War warn the Führer from this step.

If the Führer emphasizes in front of the masses in Nürnberg, he will receive a great amount of applause from the audience, but with it he will bring failure to the entire commercial policy. There is only one thing in our needy position: the promotion of export. Every threat against foreign countries however, will show contrary results.

We have reverses in the field of fuels until the middle of next year, there will not be large amounts in the field of rubber. The Renn-process in the field of ores is having great difficulties.

If we now shout out our decision abroad, to make ourselves economically independent, then we cut our own throats, because we can no longer survive the necessary transitory period.

Also, it must always be pointed out that German materials are at present much too expensive to be used for export, and export alone makes further armament possible.

If the food-basis of the people is not to be endangered, the Führer must refrain from his plan.

President SCHACHT concluded, that he again requests urgently to listen to this warning, and that he forwards it to the minister of war, as he will not participate in to-morrow's conference.

Thomas 2/9 (in blue pencil)

(Translator's note: the following is written in pencil in the original)

THOMAS in his memorandum:

"The missing million in cash must be saved, since there is no more possibility to obtain it by increase of export."

English armament--ore! Our own procurement is a must.

4 Year Plan without antagonizing foreign countries.
Card file ?
Speed of armament ? Yes---

"Extent of armament not sufficient.. Backing by foreign exchange and raw materials is absolutely necessary."

Top Secret
(rubber stamp)

1st copy
5 Sept 1936

Wi II
File No 66 b 9910 II z-a

Minutes
on a Conference in the Reichministry for Economy on 3 Sept 1936

Chairman:	Ministerialdirektor Sarnow	) Reichministry for Economy and the competent experts of the
Present:	Ministerialdirektor Dr. Landwehr	) Reichministry for Economy and
	Ministerialdirigent Dr. Spitta	) the supervisory agencies
	Oberregierungsrat Dr. Michals	)
	Major Czimatis	) Reichministry of War, W.A.
	Commander Griebel	)
	Regierungsbaurat Wissmann	)
	Intendanturrat Nierhoff	Reichministry of War, V.A.
	Lt.Col. Ploch	) Reichministry for Air and
	Col. Witting	) Supreme Commander of the
	Dipl.ing. Bresser	) Air Force
	Gen.Direktor Schirner, combined alum. plants	) only during the
	Dr. Westrick " " "	) conference on
	Dir. Beyer Alum. Sales Corp.	) aluminum

Subject:

I. Possibilities of allotment of foreign exchange to the armed forces and economy.

II. Aluminum supply.

I. After extensive study of the connected disadvantages, the Reichministry for economy has dropped the principle that one could desist from exporting all products with more than 40% foreign raw materials. Therefore and additional need for foreign exchange results for the upkeep of the export of 2 million marks with the supervisory board for base metals. Furthermore the allotment of cash foreign exchange to the supervisory board for bast fibres must be increased from 10 million marks to 17 million marks.

Intendanturrat Nierhoff made reports on the need of the Armed Forces of textiles and leather in the year 1937, which has increased considerably from the requirements of the year 1936 (see inclosure). To fulfill these Armed Forces requirements, cash foreign exchange is necessary in the following amounts:

Group of goods	Additional Armed Forces requirements of cash foreign exchange in million of marks
1. Wool	24
shredded wool (Reisswolle)	3
mohair wool	0.75
2. silk	0.5
3. bast fibres	0.25
4. cotton	4
5. leather	22.5
Total	55.00

Accordingly, the following overall picture results:

Amount of cash foreign exchange necessary previously for the upkeep of economy and for the covering of requirements of the Armed Forces.
900 million marks

Amount of cash foreign exchange necessary for the upkeep of export.
243 million marks

Additional requirement of cash foreign exchange necessary for the Armed Forces
146.8 million marks

Available amount of cash foreign exchange
140 million marks

H1118 - 0043

II. Aluminum

Report on the requirements of aluminum for the Armed Forces are contained in the summary given to the Reichministry for Economy on 29 Aug.

Major Czimatis explained that the Reichministry of War did not renounce the limitations of the allotments of aluminum to the general industry, as it was said in the letter of the Reichministry for Economy of 21 Aug 1936, but that the demands for full delivery to the Armed forces for the programatic rearmament, espcecially of the Air Force, will be kept up.

The Reichministry for Economy considers the full delivery to industry urgently necessary also in the interest of the Armed Forces, since by a "strangulation" installations important to the Armed Forces (power issues) would also be affected immediately, and one could therefore count on an increased requirement of copper and thus of foreign exchange.

The administration of aluminum by the supervisory board for base metals is being absolutely refused by the Reichministry for Economy.

Generaldirektor Schirner reports that the negotiations for the import of 1000 tons of aluminum from Switzerland against delivery of German clay and pitch-coke are favorable. Also, the payment of processing wages is to be done with clay. However, the import of these 1000 tons is distributed over 6 to 7 months.

1000 tons more can be obtained in a comparitively short time from the Aluminum Ltd from Canada. The negotiations for this are still in process.

Schirner reported that the stocks of aluminum in the plants is so high that he, in case the Reichministry for Air should agree to a temporary decrease of the stocks, could guarantee full delivery for both the Armed Forces and Industry until the opening of the new plants in Töging and Bitterfeld.

Lt.Col. Ploch consents that the stocks be decreased temporarily.

The Reichministry for Economy orders that the supervisory board for base metals first determine by revision the exact size of the stocks of aluminum for the Duren Metal works and the combined Light Metal works (Vereinigten leicht Metall Werke).

However, if difficulties should arise in the delivery to the Armed Forces with aluminum, then the Reichministry for Eonomy is ready to take up negotiations again.

MW (initials in pencil)

Inclosure

Textile and Leather Requirements of the Armed Forces

Raw materials	Requirement in the year 1936 in tons	Requirement in the year 1937 in tons	Required additional cash foreign exchange requirements in millions of marks
sheared wool	7 200	18 152	24
wool scrap (Reisswolle)	1 040	4 900	3
combings	11	42	-
mohair wool	-	260	0.75
wool from tanned hides (Gerberwolle)	761	1 236	-
silk	23	72	0.5
cocoons*	72	72	-
silk yarns*	48	48	-
(*figures by Reichministry for air)			
cotton of which quality cotton Portires and shelter halves (Egypt)	8 600	16 200 about 4 000	4
cotton scraps	560	835	-
artificial silk	310	670	-
cellulose wool	1 080	3 130	-
cleaned flax (Schwingflachs)	3 600	4 800	-
flax scrap	7 070	10 500	-
jute	2 100	2 100	-

H1118 - 0044

(cont)

Raw materials	Requirement in the year 1936 in tons	Requirement in the year 1937 in tons	Required additional cash foreign exchange requirements in millions of marks
soft hemp and hard fibers	1 100	1 635	0.25 (**)
of which hard fiber		about 200	(**) for 400 tons soft hemp and 200 tons Manila and Sisal
sleek leather	11 000	24 000	"
skins for uppers	7 100	13 900	
tanned leather		4 100	
leather for soles		9 500	22.5 (***)
			(***) for 22 500 tons hides corresponding to 11 200 tons leather
		Total	55.00

It must be considered in the calculation of the foreign exchange requirements for the upkeep of the export of woolen goods, that the wool industry cannot stand more than a 10% decrease of the present amount, if it is to retain its export capability. Instead of Australian wool, one must reach back to about 50% of the available South-African wool for the exports. The wool available through the limitations of value of the clearing agreement is entirely used for export. The calculated amount of foreign exchange and the most urgent requirement within Germany of 12 million marks only applies under the condition that there are until the end of September still 2 million marks in cash foreign exchange available.

One can count for the requirement of the Armed Forces on an amount of 10 000 tons raw wool, based on existing agreement. 24 million marks in cash foreign exchange are required for the additional amount of 8 152 tons with the price basis of 3 000 -marks per ton.

Intendanturrat Nierhoff explained; that a decrease of the demands for quality for the Armed Forces is no longer bearable. Already 20% cellulose wool is being earmarked for uniform cloths, and a mixing of 30% scrap wool for overcoats.

The amount of foreign exchange of 4 million marks for quality cotton is therefore necessary, because one cannot count any more on the hitherto existing compensating transactions--especially with Egypt after circular 237.

The amount of foreign exchange estimated for export of 17 million marks for the supervisory board for bast fibres is distributed as follows:

10 million marks for jute
6 " " " Sisal
1 " " " Manila

The production of hides in Germany is reported as 140 000 tons per year. Even with the basis that the consumption of leather within Germany is decreased to a minimum, the 22 500 ton hides, corresponding to 11 200 tons leather for the Armed Forces, can only be procured with cash foreign exchange (22.5 million marks)

The raw hide requirement has determined individually with consideration for the time required to tan the individual types of leather.

H1118 - 0045

(in pencil) Top Secret!

Conference at General Field Marshal Goering's at 1000, 14 Oct.38, in the Reich Air Ministry

(in pencil); attention H.G.

General Field Marshal Goering opened the session by declaring that he intended to give directives about the work for the next months. Everybody knows from the press what the world situation looks like and therefore the Fuehrer has issued an order to him to carry out a gigantic program compared to which previous achievements are insignificant. There are difficulties in the way which he will overcome with utmost energy and ruthlessness.

The amount of foreign exchange has completely dwindled on account of the preparation for the Czech Enterprise and this makes it necessary that it should be strongly increased immediately. Furthermore; the foreign credits have been greatly overdrawn and thus the strongest export activity--stronger than up to now--is in the foreground. For the next weeks an increased export was first priority in order to improve the foreign exchange situation. The Reich Ministry for Economy should make a plan about raising the export activity by pushing aside the current difficulties which prevent export.

These gains made through the export are to be used for increased armament. The armament should not be curtailed by the export activity. He received the order from the Fuehrer to increase the armament to an abnormal extent, the air force having first priority. Within the shortest time the air force is to be increased five fold, also the navy should get armed more rapidly and the army should procure large amounts of offensive weapons at a faster rate, particularly heavy artillery pieces and heavy tanks. Along with this manufactured armaments must go; expecially fuel, powder and explosives are moved into the foreground. It should be coupled with the accelerated construction of highways, canals, and particularly of the railroads.

To this comes the Four Years' Plan which is to be reorganized according to 2 points of view.

In the Four Years' Plan in 1st place all the constructions which are in the service of armament are to be promoted and in 2nd place all the installations are to be created which really spare foreign exchange.

The substitutes produced by the Four Years' Plan are to be brought rapidly into circulation. The Reich Ministry for Economy and the other agencies should make suggestions by the beginning of November for rapidly increasing the introduction of the substitutes. The import of materials for which we have substitutes has to be drastically curtailed.

General Field Marshal Goering enlarged then upon the main problem of the session: how can these requirements be fulfilled.

He is faced with unheard difficulties. The treasury is empty, the industrial capacity is crammed with orders for many years. In spite of these difficulties he is going to change the situation under all circumstances. Memoranda were of no help, he desires only positive proposals. If necessary, he is going to convert the economy with brutal methods in order to achieve this aim. The time has come when private enterprise can show whether it has a right for continued existence. If it fails, he is going over to state enterprise without any regard. He is going to make barbaric use of his plenipotentiary power, which was given to him by the Fuehrer.

All the wishes and plans of the state, party and other agencies who are not entirely in this line have to be rejected without pity. Also the ideological problems cannot be solved now, there will be time for them later. He urgently cautions against making promises to the workers which can not be kept by him. The wishes of the labor front cede entirely into the background. The industry has to be fully converted. An immediate investigation of all productive plants is to be initiated in order to determine whether they can be converted for armament and export or whether they are to be closed down. The problem of the machine industry has the first consideration in this respect. There is no place for printing and

H1118 - 0047

TRANSLATION OF DOCUMENT 1301-PS
Continued

General Field Marshal Goering took a strong stand against the opinion that the Aryanization is the duty of the party. It is the duty of the State alone. However, he could not release foreign exchange for shipping away the Jews. In an emergency situation ghettos should be erected in the individual large cities.

State Councillor Schmeer cautioned against more lenient methods in the fight against the Jews; Jewish labor units should be established, then the people would emigrate of their own accord. State Councillor Neumann warned and expressed the opinion that one should use more precaution in this matter, particularly in Austria.

Thereupon the meeting was quite surprisingly closed by General Field Marshal Goering without recording the minutes of the meeting or making decisions.

HC.

Material
for the Conference with Goering
on 25 Nov 1938
(General Keitel
Brig.Gen. Thomas)

27 Oct 1938

W.Wi Id.

For the consideration of the assignment of tasks to people, state and the Armed Forces, judging of the requirements of raw materials, especially steel, appears necessary.

This is shown as follows, as far as it can be judged from here. The inclosed summary shows that one must count, according to the Fuehrer's directives, on a steel requirement for armament production, which amounts to

1.08 million tons monthly from 1 Jan 1939 on, that is, it must be increased by about 48% of the present contingent. Added to this requirement are the increased demands of the Four Years' Plan, the demands of export and the amount necessary for the upkeep of the production machine of German economy in the amount of

1.83 million tons monthly from 1 Jan 1939 on; thus this results in a total requirement of

2.9 million tons monthly from 1 Jan 1939 on, against which there is only a monthly production of

at present 1.8 million tons monthly.

Furthermore, it must be pointed out, that with the increased use of steel, an increased use of the already scarce non-ferrous metals is necessarily coupled; the latter also are closely associated with the procurement of foreign exchange.

The increased rearmament of the armed forces must further affect deeply the supply requirements of the armed forces, especially munitions and fuels. Therefore, it must be expected that the future requirements of the armed forces will exceed the present plans (accelerated program for powder and explosives, fuel program), which will have an increase of the steel requirements not yet planned as result.

Secret

Summary
of the Iron and Steel Requirement of the Armed
Forces and Industry tons per month

	Contingent of the IVth quarter 1938	Contingent of the Ist quarter 1939	Requirement from 1Jan 1939 on	in contrast to the contingent of Ist quarter 1939
I. Armed Forces	584 333	573 133	1 088 300	+ 515 167
II. War economical organization of German industry	306 600	306 600	613 500	+ 306 900
III. Export in case it is possible to reach the stage of beginning of 1938	380 000	380 000	550 000	+ 170 000
IV. Upkeep of the production machine of the German industry.	582 800	582 800	582 800	-
V. Other requirements	83 500	83 500	83 500	-
Total	1 937 233	1 926 033	2 918 100	+ 992 067

H1118 - 0048

TRANSLATION OF DOCUMENT 1301-PS
Continued

Inclosure 1

Secret

Summary
on the Iron and Steel Requirement of the Armed Forces

tons per months

	Contingent of the IVth quarter 1938	Contingent of the Ist quarter 1939	Requirement from 1 Jan 1939 on	-in contrast to the contingent of Ist quarter 1939
Army	300 367	266 000	525 000	-259 000
(for fortifications)	(86 667)	(85 000)	(165 000)	(+ 80 000)
Navy	78 000	74 000	140 500	- 66 500
(for "Grünewiese")	(-)	(-)	(35 000)	(+ 35 000)
Air Force	166 400	191 133	247 300	+ 56 187
(for fortifications)	(13 333)	(15 000)	(15 000)	(-)
Reich communication measures (RV-Massnahmen)	39 566	42 000	175 500	-133 500
(for increased extension of the Reich railroad)	(-)	(-)	130 000	(-130 000)
Armed Forces Total	584 333	573 133	1 088 300	-515 167

H1118 -0049

TRANSLATION OF DOCUMENT 1301-PS
Continued

Chief OKW
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1157/38 top secret

7 Dec 1938

Top Secret

7 copies
7th copy

(in pencil)
To the State Secretary Neumann
Received copy without receipt
K. 12 Dec 38
Documents for the conference at Field Marshal Goering's on 13 Dec 1938 with Supreme Commanders General Keitel, Neumann, Koerner, Gen. Thomas.

To
the Supreme Commander of the Army)
the Supreme Commander of the Navy) one
the Reichs Marshal of the Air Force and) copy each
Supreme Commander of the Air Force)

The Fuehrer and Supreme Commander of the Armed Forces authorized me to inform the Supreme Commander of the following:

The strained financial situation of the Reich makes it necessary that for the rest of the current fiscal year 38/39 the expenses of the Armed Forces, which in the last months under the strain of extraordinary circumstances have undergone a very considerable increase, should be lowered again to a level which would be tolerable for some time.

It will be at the discretion of the Supreme Commander to decide what measures should be taken for this purpose according to the priorities in the armament program. According to the Fuehrer's request

ARMY (the equipping with arms will have first priority, the providing of ammunition and the building of fortifications for the army will be considered in second place only.

NAVY (the building of ships, of ports and docks will have first priority over all other requirements, also over that of providing ammunition.

AIR FORCE (the equipping with arms will have first priority, the providing of ammunition will have to be considered in second place only.

If necessary, the initiation of new enterprises will have to be delayed, the execution of current enterprises and orders will have to be distributed over a longer period of time. The allotted quota of raw materials which will be decreased starting 1 Jan 39, will also compel us to a certain extent to do this. It has to be achieved that

in the Army
in the Navy
in the Air Force

during the period from 1 November 1938 to 31 March 1939 (end of the fiscal year) not more than

(Army): 3.7 billion RM
(used until now 4.9)
(Navy): 650 million RM
(Air Force): 2.5 billion RM

should be expended in the form of cash and delivery treasury scrips.

It is not yet definitively established how much can be allotted for the next fiscal year 1939/40 in the form of cash and delivery scrips. At present, the branches of the Armed Forces cannot expect greater quotas than the following:

5.2 billion RM for the Army
1.4 " " for the Navy
4.9 " " for the Air Force

signed: Keitel

H1118 - 0050

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Top Secret
Copy

for information

illegible signature

to
the Chief of the Air Force
the Chief of the W Stb

Chief of the War Industry Staff
Adjutant

1 March 1939

Draft

To the adjutant's office of General Field Marshal Goering.

On behalf of Brig. Gen. Thomas I request an appointment for a conference for the general before the departure of the General Field Marshal on following urgent subjects:

1.) The branches of the Armed Forces--particularly the Navy--submitted requests for additional amounts of non-ferrous metals and of steel. General Thomas requests instructions what attitude he should take in regard to this question during the absence of the General Field Marshal.

2.) The General Field Marshal has to make decisions in 2 matters concerning foreign policy.

Illegible
Captain.

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. 1301-PS

15 November 1945

I, WILLARD EVANS SKIDMORE, Lt. (jg) USNR 391590, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a correct and true translation of Document No. 1301-PS.

WILLARD EVANS SKIDMORE
Lt. (jg), USNR
391590

H1118 - 0051

H1118 - 0052

TRANSLATION OF DOCUMENT 2261-PS
OFFICE OF U S CHIEF OF COUNSEL

C O P Y !

The Reichs Minister of War
and Supreme Commander of the Armed Forces
No. 1820/35 Top Secret L. II a

Berlin, 24 June 1935

TOP SECRET

To

The Supreme Commander of the Army
The Supreme Commander of the Navy
The Supreme Commander of the Air Forces

In the appendix I transmit one copy each if the law for the defense of the Reich of the 21 May 1935 and of a decision of the Reichs Cabinet of 21 May 1935 concerning the Reich's defense council. The publication of the Reich's defense law is temporarily suspended by order of the Führer and Reichchancellor.

The Führer and Reichschancellor has nominated the President of the directorate of the Reichsbank Dr. Schacht to be "plenipotentiary-general for war economy".

I request that the copies of the Reich's defense law needed within the units of the armed forces be ordered before 1 July 1935 at armed forces office (L) where it is to be established with the request that the law should only be distributed down to Corps Headquarters outside of the Reichministry of war.

I point out the necessity of strictest secrecy once more.

(Signed) von Blomberg.

No. 1820/35 L Top Secret II a

Berlin, 3 Sept 1935

To

Defense-Economic Group G-3

copy transmitted

(signed) Jodl

H1118 -0053

COPY!

Reichs' Defense Law
of 21 May 1935

The Reichs Cabinet has enacted the following law that is hereby made public:

Part I State of Defense

ARTICLE 1.

The Führer and Reichschancellor can declare a state of defense for the area of the Reich in case danger of war threatens.

ARTICLE 2.

(1) With the declaration of a state of defense the entire power of execution devolves upon the Führer and Reichschancellor. The Reichsminister of war exercizes it by his orders.

(2) The Reichsminister is empowered in the carrying out of the power of execution to issue legal regulations which may deviate from existing laws. He can, in order to enforce his regulation, threaten punishments and set up special courts.

ARTICLE 3.

(1) The Reichsministers care to observe the instructions of the Reichsminister of war. They remain the highest Reich authorities within their realm of activity.

(2) The Reichsminister will in case of a state of defense effect the necessary measures and are empowered to issue legal regulations which may deviate from existing laws.

Part II Mobilization

ARTICLE 4.

(1) If conflict with an external enemy becomes unavoidable, the Führer and Reichschancellor can order mobilization.

(2) The ordering of mobilization includes in itself the declaration of a state of defense according to Part I, in case the latter is not already proclaimed, without prejudice to the directive of Article Six.

(3) With the ordering of mobilization a state of war in the definition of this law begins.

ARTICLE 5.

The Reichsministers will effect the necessary measures in case of mobilization and are empowered to issue legal regulations which may deviate from existing laws.

H1118 - 0054

ARTICLE 6.

(1) The Führer and Reichschancellor will appoint a plenipotentiary-general for war economy to direct the entire war economy.

(2) It is the task of the plenipotentiary-general for war-economy to put all economic forces in the service of carrying on the war and to secure the life of the German people economically.

(3) Subordinate to him are:

The Reichsminister for economy
The Reichsminister for food and agriculture
The Reichs labor minister
The Reichs forest master and all Reichs' agencies immediately subordinate to the Führer and Reichschancellor.

Furthermore the financing of the war effort, (in the province of the Reichs finance ministry and of the Reichsbank) will be carried on under his responsibility.

(4) The plenipotentiary-general for war economy is authorized, within his realm of responsibility, to issue legal regulations, which may deviate from the existing laws.

Part III Setting of penalties and Conclusion

ARTICLE 7

Whoever purposely or carelessly acts in violation of a decree issued by authority of this law will be, insofar as a severer punishment is not stipulated according to other directives, punished with jail and with fine or with one of these penalties.

ARTICLE 8.

The Führer and Reichschancellor will issue the necessary legal and administrative directives for carrying out of this law.

Berlin, 21 May 1935

The Führer and Reichschancellor
(signed) ADOLF HITLER
The Reichsminister of war
(signed) VON BLOMBERG
The Reichsminister of the Interior
(signed) FRICK

Note
on the law for the defense of the Reich
of 21 May 1935

The publication of the law for the defense of the Reich of 21 May 1935 will be suspended. The law became effective 21 May 1935.

The Führer and Reichschancellor

(signed) ADOLF HITLER

H1118 - 0055

Copy.

Copy.

Decision of the Reichskabinettof 2I May I935
on the Council for the defense of the Reich.

Supplementing the decision of the Reichscabinet of 4 April I933 and I3 Dec 34 on formation of a council for defense of the Reich, the Reichscabinet has made the following decision:

I.) The plenipotentiary-general for war economy appointed by the Fuehrer and Reichschancellor will begin his work already in peacetime. At the suggestion of the chairman of the Council for the defense of the Reich, he will direct the economic preparations for war, insofar as they do not, in reference to the armament industry fall into the province of the Reichs' Ministry of war. In case of mobilization the following are subordinated to him:

Reichsministry of economic affairs
Reichsministry of for food and agriculture
Reichsministry of Labor
Reich's forest-master and all Reichsoffices immediately subordinate to the Fuchrer.

In case of mobilization he will direct and be responsible for the financing of the war effort (in the province of the financeministry and the Reichsbank).

These ministries and the Reich's authorities are bound already in time of peace to observe his recommodations for the preparation of a war economy and the fiancing of the war-effort.

2.) The Reichsminister of War and the plenipotentiary for war economy will effect the preparations for mobilization in closest cooperation on both sides.

3.) The plenipotentiary-general for war-economy will be a permanent member of the Reich Defense Council (Reichsverteidigungsrat). Within the working committee he represents through his leadership staff the interests of war economy. The department heads (Referenten) for the defense of the Reich of the Ministries mentioned in Point I are bound by the recommodations of this leqdership staff.

Foundation:

The State of War, an institution of the old law, as it was established in the old Reichsconstitution of I87I, the Prussian law on the state of siege of 4 June I86I and the Bavarian law on the state of war of 5 Nov I9I2, has been only incompletely replaced in Article 48 of the Reichsconstitution of II August I9I9. Moreover, the provisions of Article 48 no longer correspond to the actual legal conditions.

The new law for the defense of the Reich should create clear legal bases for the transfer of the whole machinery of state from a state of peace to one of war. In this connection it was to be noted that a state of war can begin unexpectedly or from a state of foreign political tension. Since the time of such tension must be utilized as far as foreign political relations will bear, it in order to create a readiness for war in time, the law for the defense of the Reich provides two steps for the transfer from state of peace to state or war:

I. The state of defense
2. The mobilization

H1118 - 0056

For both steps of war preparation, the law gives the legal basis, upon which the individual measures of the Reichsdepartments can be built up as the council for the defense of the Reich instructs.

It is to be mentioned in regard to the provisions of the law in detail:

To Article 2

The exercize of the power of execution by the Reichsminister of war under the Führer and Reichschancellor should emphasize the pressing necessity of all demands of the immediate conduct of the war and should guarantee their fulfillment.

To Article 4, Section 3

In numerous laws special provisions for war are contained. It is therefore necessary, to establish the beginning of a state of war, in respect to times in order to create clear donditions for the administration of justice etc. Since, however, in a future war official declarations of war are not to be expected, as a result of which Article 42 Section 2 of the Reichsconstitution also is obsolete, the beginning of a state of war is to be considered as being at the same time as the beginning of the mobilization.

To Article 6

The experiences of the great war have demonstrated the necessity of including during a war the entire economy and the financing of the conduct of the war under unified leadership. The plenipotentiary-general for war-economy should according to the will of the Führer and Reichschancellor take over the responsible leadership and stands thereby independently along side the Reichsminister of war, the possessor of the power of execution, and responsible for his realm of activity under the Führer and Reichschancellor.

- - - - - - - - -

CERTIFICATE OF TRANSLATION
OF DOCUMENT 2261-PS

24 October 1945

I, FRED NIEBERGALL, 2nd Lt Inf, O-1335567, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a correct and true translation of Document 2261-PS.

FRED NIEBERGALL
2nd Lt Inf
O-1335567

TRANSLATION OF EXTRACTS OF DOCUMENT
NO. 2353-PS
OFFICE OF U S CHIEF OF COUNSEL

General Thomas's Manuscript Entitled: "Basic Facts for a History of German War and Armaments Economy" (1944).

P. 38. In the (Reich Defense) Law the appointment of a General Plenipotentiary for the Economy was provided for, a post for which Riechsbank President Dr. Schacht was contemplated. He was to have the right to give directions on economic questions to all Ministries concerned with economic problems. He was charged with the preparation of all economic war measures with the exception of the armament industry which was to be handled by the Army High Command.

P.59. If it is said, for example, that "not the economy, but politics represents fate", this principle should be recognized only with the reservation that politics may receive its decisive impulse from the economic necessities of a nation. The fundamental urge to expand of a nation which does not find the basis for its food production in its own soil, is an imperative for the shaping of policy.

P. 84. If it was possible in a few years to develop the thirty-two monopoly factories of the Treaty of Versailles into an armament industry sufficient for our large army, this is due very largely to the work of the offices of the Military Economy Organization.

P. 127. In spite of the limitations in rearmament ordered by the Minister of War in 1937, the demands of the Army for steel remained so high that the Minister of Economics announced his misgivings regarding the economy as a whole. The War Minister stated that, in view of the existing foreign exchange situation, the condition of the whole economy, and thereby of rearmament, was jeopardized by a continuous fall of exports, and consequently he requested the introduction of raw material quotas, by means of which the management of rearmament and of other important programs was to be accomplished.

P. 145. Complaints about excessive loads of work at factories and about continuous modifications of order schedules were received all the time from industry. By means of the spreading of orders and the admission of new firms, the Military Economy Organization and the armament offices succeeded in carrying out the armament programs more or less according to plan and to fulfill the demands of the leaders.

P. 173 - 174. The enlargement of gunpowder and explosives production was started as a large scale action. At the suggestion of the Economy Staff, Field Marshall Goering ordered the drafting of a plan for the manufacture of gunpowder and explosives in 1938 and charged General Director Krauch of I. G. Farben with the execution of this plan. The plan was set up on July 12th 1938 as the so-called "Karinhall" plan and scheduled the creation of a capacity of 12,000 tons of gunpowder per month, 19,000 tons of explosives and 4,000 tons of poison gas until October 1st 1940. By October 1st the capacity was to be

Gunpowder 18,000 tons,
Explosives 24,000 tons,
Poison gas 8,000 tons, per month.

H1118 - 0057

H1118-0058

OFFICE OF THE U. S. CHIEF OF COUNSEL
TRANSLATION OF EXCERPT FROM P. 479
DOCUMENT 2353-PS

History will know only a few examples of cases where a country has directed even in peacetime all its economic forces so deliberately and systematically towards the requirements of war as Germany was compelled to do in the period between the two world wars.

CERTIFICATE OF TRANSLATION OF EXCERPT FROM P. 479, DOCUMENT 2353-PS

22 November 1945

I, EDGAR BODENHEIMER, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Excerpt from p. 479, Document 2353-PS.

EDGAR BODENHEIMER
Civilian

In view of numerous difficulties, particularly due to the lack of foreign exchange for the purchase of machines, due further to a smaller allocation of raw materials and shortage of workers, the speed of production contemplated by Dr. Krauch could not be maintained; consequently the scheduled figures could not be reached by the time of the outbreak of war.

P. 181 - 182. The course of German mobilization in 1939 was greatly influenced by the development of the military-political situation and was guided by the idea of a surprise of the enemy. The experiences made during the operations against Austria, Sudetenland, and Czechoslovakia, which lead to a partial and camouflaged mobilization, formed the basis of the measures to be taken. The tension existing between Germany and Poland since July was used in order to prepare all measures necessary for a surprise attack against Poland.

CERTIFICATE OF TRANSLATION
OF EXTRACTS OF DOCUMENT 2353-PS

21 November 1945

I, EDGAR BODENHEIMER, civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of extracts from the pages indicated of Document 2353-PS.

EDGAR BODENHEIMER

H1118 - 0059

TRANSLATION OF PP. 1-6 OF DOCUMENT EC-14
OFFICE OF U S CHIEF OF COUNSEL

Chief
of the Military Economy Staff
in the WEHRMACHT Office

Berlin W 35
TIRPITZUFER 72-76
TELEPHONES Local)Switch-
Long Distance)board
No.
218191

SPEECH
BEFORE THE WEHRMACHT WAR COLLEGE
DELIVERED ON 1 NOVEMBER 1937

Introduction to Military Economy, with Consideration of the Present Economic Situation of the Reich

When, two years ago, the WEHRMACHT War College was founded, a great number of lecture hours in the curriculum were to my satisfaction assigned to Military Economy. It has become a tradition that the Chief of the Military Economy Staff, at the beginning of these lectures, which are for the greater part given by professional experts, delivers an introductory speech, in which is taken up also the subject of the military economic situation as it presents itself to us in Germany today. I therefore would like to divide my speech, this year also, into two parts. In the first part, I will attempt to explain to you briefly the theory of military economy, while, in the second part, I will take up the practical tasks of military economy and, in particular, the situation in Germany.

What we understand by military economy I need not explain to you today any more in detail, for in various newspapers and magazines the meaning of military economy, as we want to have it interpreted, has been thoroughly discussed. I should like to point out only that by military economy we understand no system of economy, also no doctrine of economy, but that by military economy we want to have understood the conversion of the entire economic thinking and acting in accordance with the idea of national defense.

Major BEUTLER, who, until recently, worked in my ofice, has written on Military Economy in the German VOLKSWIRT (political Economist) Periodical No. 42. In this article, he has thoroughly discussed the concept of military economy. He has expressed the fact that there exist three viewpoints on the concept of military economy. The first interpretation understands by military economy the preparation and carrying out of the defense of the nation in the domain of peacetime economy. The second opinion sees in military economy simply a new form of controlling the economy and demands that political economy and military economy become the same.

The third view, which I follow, is of the opinion that military economy is a task and a task with regard to war at that; it is the task, in war, of placing all economic forces at the service of the conduct of the war. The economy, therefore, is the intellectual principle of the influence of national defense on economy. Just as strategy puts the military forces into operation, so military economy directs the economic forces. Therefore, political economy and military economy can never be considered the same. These few words may suffice to explain the concept of military economy.

The connections, which exist between the military forces of a country and its economy have really, up to now, been sought only in the material sphere and I must state that they are just as strong in the realm of the ideal especially the principles of military economy, which have been established by us have attached great importance to the clarification of ideal connections.

H1118 - 0060

Those gentlemen who, before 1933, worked in the mobilization, will know how difficult it was, at that time to find understanding for the defense of the country even in the Reich and State Ministries. It was still more difficult in economy, for economy, as such, found all measures for the defense of the country to be a burden from the economic viewpoint and the idea of military forces was, in most cases, just as remote to the employer as it was to the employee. The economy, as a whole, was just adapted to purely economic conditions and not to military ones and the task then was to reshape the inner attitude of the leaders of the economy and their personnel, because we believed that a military economy could be operated only by military persons. And here we may state, that it was two ponderables which helped us in the mental conversion, namely the World War and the national revolution. In evaluating the experiences of the World War and demonstrating them to the economy, we increased our understanding of our work and we proved that the economic preparation for mobilization is for the benefit of the economy itself and the prerequisite for a modern national defense. The national revolution brought about the in ellectual conversion of the entire people which was the prerequisite for a military economic arrangement of the economy. The economy today realizes that it can be successful in the long run only if it is protected by a sharp sword. And, on the other hand, the military authorities today know that an army has no striking power unless it is backed up by a powerful economy.

For the conversion of the economy to military economy organization measures were necessary. The reorganization of the entire economy, especially the establishing of the Reich Groups Industry, Trade and Handicraft have made the economy ready for national defense and armed it with striking power. Furthermore, the establishment of the Reich Food Estate must be interpreted along these lines. The appointment of labor trustees and the creation of the BETRIEBSGEMEINSCHAFTEN (MANAGEMENT AND LABOR COMMUNITIES) must be viewed as a considerable strengthening of the national defense, because social peace forms the basis for our reconstruction. Let us remember how harmful strikes and other social struggles have been for our supply efforts during wartime and how differ nt the course of the last months of the war could have been if social peace had been maintained at home. The Labor Front with its organization "Strength Through Joy" might also have favorable effects in that respect, provided, that the "Strength Through Joy" movement is directed along the line of: Joy through vigorous work and joy from work through health of body and soul. Thus, there is a great number of organizational measures which have been carried out in the Third Reich and which are accomplishing outstanding results for the binding of the economy and the military power in an ideal relationship and which give us the foundation for a real military-economic preparation for war.

Certification of Translation of Document 14

13 November 1945

I, Arthur Allen, hereby certify that I am thoroughly conversant with the English and German languages and that the above is a true and correct translation of pp. 1-6 of Document EC 14 (Speech of the Chief of the Military Economy Staff before the Wehrmacht War College on 1 November 1937).

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Arthur Allen

H1118 - 0061

H1118 - 0062

TRANSLATION OF EXCERPT OF SUPPLEMENT
TO DOCUMENT E.C. 14
OFFICE OF U S CHIEF OF COUNSEL

Page 15 - 16.

If you consider that one will need during the war considerable means in order to organize the necessary propaganda, in order to pay for the espionage service, and for similar purposes, then one should be clear that our internal Mark would be of no use therefor, and that foreign exchange will be needed.

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I, EDGAR BODENHEIMER, civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of extract indicated of supplement to Document E.C. 14.

EDGAR BODENHEIMER

TRANSLATION OF EXCERPT FROM
DOCUMENT EC-28

OFFICE OF U.S. CHIEF OF COUNSEL

Pages 1-5 of Lecture of Major General Thomas, Given on 24 May, 1939 at the Foreign Office.

The field of military economy has expanded into such a large field during the few years in which we have known this concept that in view of the short time at my disposal I can only give you today a few cross sections. I have chosen fields which touch on our common work and which will be of particular interest for your work here in the Foreign Office. We shall deal with the following three topics:

I. With the state of our own rearmament as compared with that of the Western powers.

II. With the question: can the advantage of the German rearmament over that of the Western powers be maintained also in the future?

III. With the connections between the rearmament and the present economic situation in Germany.

I hope that the treatment of these three points will give you a certain insight into the three main tasks which occupy the economic division with the High Command of the Wehrmacht most particularly for the time being and which would be of a certain importance for the judgement of our foreign political situation.

I.

I begin with the state of German rearmament. You have already been given a survey of the present organization of the Wehrmacht by the parts of the Wehrmacht so that I can be brief and only will have to cover the development of the rearmament.

You know that the dictate of Versailles had limited the number of the German divisions to seven, that an air force was prohibited and that the Treaty completely forbid the Navy to build ships of over 10,000 tons or submarines. The production of arms, ammunition and military equipment was limited to a few authorized plants. All other establishments had been systematically destroyed. Until the end of 1933, in spite of secret camouflaged attempts, no essential changed occurred in the situation, so that we can state that the present re-armament represents the work of four years.

The 100,000 men army of 7 infantry divisions and 3 cavalry divisions compare today with a peacetime army of 18 corps headquarters (General kommandos), 39 infantry divisions, among them 4 fully motorized and 3 mountain divisions, 5 panzer divisions, 4 light divisions and 22 machine-gun battalions. In addition to this there is on the border a large number of permanent border protection units. Since all large-scale procurement of new arms for the 100,000 men army was out of the question, but the development of new types was busily carried on in secret our present army could be equipped in all fields with the most modern weapons and it surely leads the world in its whole infantry armament and in the large number of its types of guns. Completely new and developed only in the last 5 years are the 5 Panzer divisions, the modern battle cavalry and the light divisions , the light cavalry.

Conditions in the field of material are the same. Newly created was the entire equipment of the armored divisions and the light divisions. This accomplishment can be fully appreciated only by a

H1118 - 0063

person who knows what it means to produce - after these troops had been prohibited for 15 years - in a tank fit for combat which will satisfy the modern requirements of speed, cross country mobility and armor.

In addition an enormous number of special motor vehicles, sometimes of the most difficult construction, was developed and procured and the artillery partly motorized and provided with the most modern sound and light measuring equipment. The great increase of the technical troops makes special demands on the armament industry.

To this manifold rearmament is added the construction of border fortifications which were first begun in the East and which were started in the West as soon as the situation permitted. You all have seen the concentration of the development in the West during the last year. In this connection I want to mention that the construction of modern fortresses makes the highest demands on the armaments industry which are building turrets.

The pre-war peace time army was increased from 43 divisions to 50 divisions in the period from 1898 to 1914 - i.e. in 16 years. Our rearmament from 7 infantry divisions to 51 divisions represents - as I have already stated - the work of 4 years.

The navy, in 1933 had, in addition to a few obsolete pre-war line ships, one armored ship of 10,000 tons, 6 light cruisers and 12 torpedo boats. Since 1933 we have put into service, 2 battle ships of 26,000 tons each, 2 armored ships of 10,000 tons each, 17 destroyers and 47 submarines, a total tonnage of 125,000. Also launched were: 2 battle ships of 35,000 tons, 4 heavy cruisers of 10,000 tons, 1 aircraft carrier, 5 destroyers and 7 submarines totalling 106,000 tons. The launching of additional ships is impending.

The Luftwaffe has risen again and today has a strength of 260,000 men. Today already, the Luftwaffe possesses 21 squadrons consisting of 240 echelons. Its increase is in process. The anti-aircraft arm, with its four types, is certainly the most modern in the world and already embraces almost 300 anti-aircraft batteries. Anti-aircraft guns of still larger calibers are being introduced.

The German armament industry has been developed to the same extent. Out of the few factories permitted by the Versailles Treaty has arisen the mightiest armament industry now existing the world. It has attained perfomances which in part equal the German wartime performances, and in part even surpass them. Germany's crude steel production is today the largest in the world after America's, the aluminum production exceeds that of America and of therother countries of the world very considerably. The output of our rifle, machine-gun and artillery factories is at present larger than that of any other state. Our powder and explosive production in the next year is again to reach the volume of the Hindenburg program.

And, in spite of this extraordinary accomplishment of reconstruction - to which the Four Year Plan in particular has greatly contributed - there are still considerable deficiencies in the field of armament industry. I shall deal with these especially further on, since they are of decisive importance for the later appraisal of our capacity for endurance.

Added to this material armament preparation is the development of a personnel organization in the form of a military economic organization. The World War had made us sufficiently aware of the lack of an economic moibilization organization. Consequently soldiers already a few years after the War begun to set up an organization which was to handle economic preparations for war. From this embryo has grown the

H1118 - 0064

present great military defense economy organization which has its center in the economic division with the High Command of the Wehrmacht and the branch agencies of which exist in the defense industry-inspectorates under the jurisdiction of each corps headquarters (Generalkommando).

It is natural that this organization has chiefly devoted itself to handling of the armament industry proper and in particular has carried through the mobilizational preparation of these plants. The preparation of the mobilization of the rest of industry, which was to be effected by the Economics Ministry, did not at first enjoy the support required for a modern war, because the Economics Ministry did not possess the machinery to prepare mobilization in an orderly fashion. In recent months joint efforts of the High Command of the Wehrmacht and the (machinery) Commissioner General for War Economy have made it possible to find a solution whereby the mobilizational preparation of all industry is insured. The Reich Economics Ministry, like the Wehrmacht, has set up, in the defense industry sections with the provincial presidents (Oberpraesidenten) and the chambers of commerce, organs which on their part too are now in a position to make economic preparations on a large scale. All the economic preparations for war are now being made in accordance with uniform directives, which are worked out jointly by the economic division of the Army and the Commissioner General of the Wehrmacht. The economic division of the Army and the Commissioner General for War Industry carry these out through their branch organizations and there is no longer, as formerly a division of industry into two parts - armament and war plants and plants vital to existence - but a division of tasks, so that the faults of the former organization - the dualism of industry - is avoided.

In conclusion we can state that the total German rearmament in the field of personnel as well as of material represents an accomplishment of the German people probably unique in the world and a testimony to a resolute leadership and to the energy and creativeness innate in the German people. The great financial and labor efforts of the German industry and of the German people have no doubt yielded the desired result and we can perceive today that German armament in its breadth and its state of preparedness has a considerable start over the armament of all other countries.

CERTIFICATE OF TRANSLATION
OF DOCUMENT EC-28

I, MARIE-LOUISE ACTON, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a correct and true translation of Document EC-28.

MARIE-LOUISE ACTON

H1118 - 0065

H1118 - 0066

Translation of Ec. 128

Summary
34-11
Pages 1-73
Part B

Report on the state of work of preparation for war-economic mobilization as of 30 September 1934

Berlin, 30 Sept. 1934

The Reichs economic ministry has been charged with the economic preparation for war, a task considered important in view of lessons of the first World War.

The situation is so much worse now, that the loss of important areas in the East and West has to be reckoned with.

The economic ministry is charged with all industry except actual armaments, for whom the raw materials and half-products are supplied however. Close liaison is being maintained with all other economic agencies.

The work can be divided into two parts. The theoretical part includes the legal and organizational preparation, such as laws directives. Practical preparation includes building up of stock-piles, new construction of facilities to produce scarce goods, redeployment of industry to secure areas and influence over fiscal and trade policies.

Preparations had to be made for two contingencies, the sudden outbreak of war in the immediate future and a future goal of active mobilization. The first goal was to be reached with mostly negative measures (restrictions) the second one needs active measures and directive.

The task of stockpiling is being hampered by the lack of foreign currency. The need for secrecy and camouflage also is a retarding influence.

The organization consists of 5, later 6 committees under presidium of the respective economic ministry officials and keeps in close touch with the armed forces, the ministry of food and agriculture, and ministry of work and the communications ministry. Later this was more centralized under "Committee for defense against economic war measures". The six committees are:

1) Hauptausschuss: General direction of work and organizational basis.
2) Rohstoffausschuss: Supply of raw materials except coal and motor fuel.
3) Kraftausschuss: coal, gas, electricity, motor fuels, power.
4) Fertigwarensusshuss: finished products with exception of armaments, price regulations, manpower.
5) Technischer Ausschuss: Technical questions, machines and standardization.
6) Aussenhandelsausschuss: war economic organization of foreign trade.

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H1118-0067

II.

The current tasks.

The Hauptausschuss coordinates and synchronizes the activities of all economic agencies, keeping liaison with the armed forces. It has obtained action on urgent measures in cases of international crisis.

The Rohstoffausschuss conducted a survey on needs and sources of supply of raw material, the amounts needed by each branch of economy and of commercial stock;iles. Action was initiated to remedy shortages and to redeploy industry towards the center of Germany.

The main work of the Kraftausschuss was the supply of motor fuels. Measures such as storing up reserves and encouragement of synthetic production were taken. Under the assumption that the coal areas in East and West would be lost, stocks of coal were placed in the center of Germany. Cross connection between electric power system were prepared.

The work of the Fertigwarenausschuss was hampered by the fact that no statistics exist on the demand. An extension survey was therefore conducted, establishing the production, manpower used, materials unused, reserves of industry as well as the demands of public agencies (armed forces, R.R., mailservice etc.) and incorporated into a card index system. This survey is to be repeated 2 years. Measures were initiated to increase production in central Germany. A rationing system was prepared for the case of war as well as a price central organization.

The work of the Technische Ausschuss was limited by the fact that technical problems are such more abundant in the production of war material, which comes under the War ministry, than in civilian production. Therefore the problem was to organize civilian supply under the consideration that most plants would be working for the armed forces. Influence was exerted towards the standardization of consumers goods, especially with the large organizations, such as public utilities and R.R. The conversion to bituminous coal was also prepared. The legal preparations included drafts of laws for the seizure and redistribution of means of production on the export and import of machine tools.

The work of the Aussenhandelsausschuss was started last, as it required statistics from the work of the other committees as basis. It made proposals for the organization of foreign trade in wartime, export and import central statistics on import-export and a survey on the physical equipment for foreign trade (harbours etc.) Studies of the possibilities or barter trade with supposedly neutral countries in case of war.

Fiscal and Monetary Preparations.

Measures were preapred to increase the amount of money in circulation in wartime while keeping the currency stabel at the sa me time. (RKK)

H1118 - 0068

Basic Principles of the Proposed Plan.

The aim of the directives proposed is the establishment of strict economy. The uncertainty of conditions under which a future war may be fought, together with the lack of raw materials and foreign currency requires that right now. Therefore strict control of all economic activity is required, with special attention paid to the use of scarce materials (rationing, priority system).

Part B

Directives and Laws Proposed.

1. Establishment of 14 economic supervisory boards to control production (Bezirkswirtschaftsaemter) in designated areas.

2. Establishment of control boards for 17 branches of production (strategic)

3. Law covering procedure on orders for the armed forces.

4. Law on rationing of civilians consumption.

5. Law on the protection (licensing) of trade.

6. Law on the establishment of a commissariat of foreign trade.

7. Prohibition of export of goods important in wartime.

8. Directive on facilitation of certain imports. (Strategic materials duty free)

9. Directive on the prohibition of unnecessary goods.

10. Directive on the establishment of foreign trade companies for 7 specified branches of economy.

11. Law on the establishment of the RKK and its functions.

12. Law changing certain parts of banking laws. (redemption of loans, notes by the Reichsbank.)

13. Directions on the distribution of coal.

14. Directives on the distribution of minerals and soils.

15. Directive on the distribution of steel and iron.

16. Directive on the distribution of non ferrous metals.

17. Directive on the seizure and use of means of production.

18. Directive on the distribution of chemical products.

19. Directive on the distribution of animal and vegetable oils for technical use.

H1118 - 0069

20. Directive on the distribution of wool.

21. Directive on the distribution of cotton.

22. Directive on the distribution of cellulose fibers.

23. Directive on the distribution of synthetic textiles.

24. Directive on the distribution of paper.

25. Directive on the distribution of leather.

26. Directive on the distribution of rubber and asbestos.

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC. 128

23rd November 1945

I, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated excerpt from document 128.

TRANSLATION OF DOCUMENT EC.174

OFFICE OF U.S. CHIEF OF COUNSEL

VCW 23-1

Summary

"War Economy" trip to Godesberg undertaken by General Staff between 25 May and 2 June.

Welcome to General Staff's "War Economy Trip" to Godesberg in 1937. Contrary to the first trip last year which was limited to very few men, the following individuals will participate this year; members of war economy organizations, representatives of the three branches of the Armed Forces, a considerable number of men representing the Plenipotentiary General and several men who join us in these measures for rearmament. Particularly welcome is President Schacht who promised to be present during the final conference on Saturday.

Previous trips of this nature were concerned mainly with visiting industrial organizations and making the acquaintance of their leading men. Last year's trip already went one step further as mobilization of organizations was discussed, as well as, in one instances, the solution of the difficult worker problem.

During fall of the past year a first experiment was made in starting on a small scale a war game in war economy. We gained considerable experience which was applied this year. This year's trip has two main aims; first, examination of cooperation within war economy organizations, coordination of the war economy staff with the branches of the Armed Forces, and the cooperation between the war economy staff and the G.B. under presumed conditions of war; second, inner organizational mobilization.

I talked with many soldiers and industrialists regarding the nature and execution of these trips, but most of them did not understand them.

We, too, do not know much about this kind of war game in war economy. We also consider it a dangerous experiment, but hope to be able to utilize, on a large scale, what we learn from it.

The circle participating in this war game is considerably larger and therefore prevented us from basing it on a situation exposing the actual German plan of operations. We had to construct a situation which provided a reasonable and practical foundation for one game on one hand but which, on the other hand, is constructed in a manner that the purpose of the game is completely fulfilled in regard to business. Please do not examine the game too critically regarding tactical and strategic moves, but remember that the main purpose of this trip is a possible solution of war economic problems.

I want to point out, however, that all material and all information received has to be kept in strict secrecy.

A second point. The first round of a war game cannot solve all problems, it can only bring it closer to their solution. Therefore, I shall not discuss basic problems and situations, but I shall take note of originating differences in order to have them clarified in Berlin later on. We based the situation - especially regarding Red - regarding organization on several assumptions which do correspond with the real German situation and which need further examination

H1118 - 0070

before they can be suggested for acceptance by the Armed Forces. I, therefore, ask you not to discuss these questions as, I repeat, we all want to gain experience from this kind of war game and want to become acquainted with the advantages and disadvantages of one or the other organization. It is possible to get acquainted only if one plays with them with the help of a practical example. The main purpose of the war game consists in pointing out to those present here how the actions of the soldiers in total war is influenced by economy and how on the other hand, economy is completely dependent on military operations. During war time there is no polarity: Armed Forces here, Economy there! It is important that they cooperate and we are attempting to find a successful method to effect this.

As the time provided for this war game is very limited we can only indicate arising questions and discuss in detail only very few subjects. Therefore, please limit your discussions. I shall only direct parts of the game; Lt. Col. Huenerman and Major Beutler will take over the lead of the remaining part of the game. I am doing this in order to keep at a certain distance from these things. I have to do this in order to gain and retain the full perspective and method of the game and to make future conclusions from gained experience.

Hopes to become better acquainted with everybody.

Translation of Part I of Speech welcoming Dr. Schacht.

Before I start with the discussion of the war game in war economy, I have to express how grateful we all are that you, President Dr. Schacht, have gone to the trouble to personally participate in our final discussion today despite all your other activities. This proves to us your deep interest in war economy tasks shown at all times and your presence here is renewed proof that you are willing to facilitate for us soldiers the difficult war-economic preparations and to strengthen the harmonious co-operation with your offices.

CERTIFICATE OF TRANSLATION OF DOCUMENT EC-174.

I, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated excerpt from Document No. EC-174.

H1118-0071

TRANSLATION OF DOCUMENT EC 177
OFFICE OF U S CHIEF OF COUNSEL

TOP SECRET

The Reichswehr Minister — Berlin, 22 May 1933

T.A. Nr. 421/33 g. Kdos. T 2 III A:

40 Copies
10th Copy

P R O T O C O L

Of the 2nd Session of the Working Committee of the Delegates for Reich Defense.

Time: 26 April 1933 — Start: 1000 hours
End : 1230 hours

Place: Large Conference Room in Reichswehr Ministry.

Participants:

Reichswehr Ministry:	
Dept. of the Field Army (Truppenamt):	Chief Lt. Gen. Adam
T 2	Chief Col. Keitel
	Capt. Schmundt
	Capt. Prueter
T 2 Administration	Min. Rat. Dr. Weber
T 1 IV	Major Gercke (ret)
Dept. of Air Raid Protection:	Capt. Speidel
Dept. of the Res. Tng. and Repl. Army (Wehramt):	
Chief of Staff	Lt. Col. Winzer
In 6 " " "	Lt. Col. Guderian
In 7 " " "	Lt. Col. Fellgiebel
Ordnance Dept. (Waffenamt):	Lt. Col. Stud
Wa. Wi.	Major Warlimont
Administrative Dept.: (V3)	Min. Rat. Reich
Ministry Office:	
W.	Col. von Vietinghoff
	Capt. Tschache
Security.	Capt. Wahle
Delegates for Reich Defense from the Reich Ministries:	
Foreign Office:	Legation Secretary von Buelow
Interior:	Ob. Reg. Rat. Erbe
Finance:	Gen. Finanzrat Wapenhensch
Economics:	Min. Rat Godlewski
	Reg. Rat Dr. Barth
Labor:	Min. Rat Sieler
Postal:	Min. Rat Delvendahl
Traffic:	Min. Rat Koffka
Justice:	Min. Rat Koffka

H1118 - 0072

Food and Agriculture:	Amtsgerichtsrat Bretschneider
Air:	Capt. Bolle (ret)
Prussian Ministry of the Interior:	Ob. Reg. Rat Diels

Minutes:

Lt. Gen. Adam: Welcoming of the delegates especially of the representative of the Air Ministry present for the first time.

Information about the decision of the Reich Cabinet of the 4 April 1933 to form a "Reich Defense Council."

Reference to:

a. Change of the responsibility for the defense of the Reich.

b. The decision to make the activities of the delegates a full-time job, and the necessity for this measure order to master the important and extensive tasks.

With a wish for trustful cooperation in the working committee of the RVR (Reich Defense Council) transfer of the presidency to Col. Keitel (Chief T 2).

Col. Keitel: After welcoming takes up business of the day.

Item 1

Thoughts about a Reich Defense Council

All great European powers which are at freedom to arm, have a RVR. One does not have to refer to history to prove the necessity of this institution. The war has shown conclusively that the cooperation with the various ministries has not been close enough. The consequences did not fail to materialize. The soldier is not in a position to have a say in all matters. The disadvantages of the past system were caused by parallel efforts of the various ministries in matters of the Reich defense. To avoid these mistakes a central agency has been created which occupies itself already in peacetime in the widest sense with the problems of Reich Defense. This working staff will continue its existence in time of war.

In accordance with the cabinet decision of the 4 April 1933 the Reich Defense Council, which until now had been prepared for war emergency, will go into immediate action.

In time of peace its task will be to decide about all measures for the preparation of the defense of the Reich, while surveying and utilizing all powers and means of the nation. To this effect a law placing every German and his personal property at the war service of the nation (Kriegsleistungsgesetz) is being prepared which will be submitted to the committee after its completion.

H1118 -0073

H1118-0074

Composition of the Reich Defense Council:

President: Reichs Chancellor Deputy: Reichswehr Minister

Permanent Members: Minister of the:

Reichswehr
Foreign Affairs
Interior
Finance
Economic Affairs
Public Enlightenment and Propaganda
Air
Chief of the Army Command Staff
Chief of the Navy Command Staff

Depending on the case: The remaining ministers, other personalities, e.g., leading industrialists, etc.

In order to regulate the work it is necessary to determine who will do the drafting of the various tasks and in what manner. The Reich ministries will receive instructions in this regard from the Reichswehr Minister.

Item 2

Full-time Employment of the Delegates:

Whether the full-time employment of delegates for the Reich Defense Council necessitates changes of personnel within the permanent committee will have to be decided by the ministries concerned. It is requested to settle this matter with the various ministries and to inform the Reichswehrminister which full-time delegate is slated for the working committee.

Ob. Reg. Rat Erbe (Interior): The solution of this question is rendered more difficult by the fact that each of the delegates has already a large field of work, to which he is deeply attached and which he will part with unwillingly.

Ob. Reg. Rat Diels (Prussian Ministry of the Interior): Is of the same opinion. He himself is, in addition, in charge of the Secret State Police. Remedy: Full time assistants.

Min. Rat Godlewski (Economics): Recommends the solution of the Reich Ministry of Economics: The delegate keeps his own field of work with addition of the Reich Defense tasks, which are handled by a special official (at present Reg. Rat Dr. Barth) exclusively and as a full time job. This way a higher official retains the direction, without being overburdened with the work.

Lt. Gen. Adam: Agrees with the opinion of Min. Rat Godlewski and proposes a similar solution for the other Reich Ministries.

Amtsgerichtsrat Bretschneider (Food and Agriculture): Does not believe that the Ministry of Food and Agriculture will be able to send a special delegate in view of the general overload with work.

Col. Keitel: The amount of work of the Reich Ministry of Food and Agriculture will not decrease. Food supply, however, is of the utmost importance in case of mobilization, so that an intensive cooperation on the part of this ministry is absolutely essential.

H1118-0075

Min. Rat Schmidt (Traffic): At the Traffic Ministry hardly any higher officials can be made available for this full time task. A good deal of the work in the realm of the Reich Defense could be done by the H.T.K.

Lt. Gen. Adam: The tasks will be distributed and it is a matter of the various ministries to take care of same. Best solution: Higher Official with full time assistants.

Col. Keitel: Points out once more the urgency of the tasks, since it had been possible to do only very little in this connection during the last years. He asks the delegates to consider the Reich Defense at all times and represent it accordingly at the drafting of new laws. Experiences of the wars are available and are at the disposal of the various ministries: (e.g. Reich Archives, Memorandum of an administrative official about gasoline supply). All these sources must be taken advantage of for the future. The task of the full time delegates is also to bring about a close cooperation of the ministries with each other.

Min. Rat Schmidt (Traffic): Requests a complete roster of the committee members.

Col. Keitel: Agrees to that, as soon as the ministries have named their full-time delegates.

Item 3

Nature of Work Plans

In the work plans the questions and ideas are laid down, which have come up in the Reichswehr Ministry and must be considered in case of mobilization. Up to the present time the support on the part of other ministries was frequently based only on personal helpfulness since any authority from above was lacking. The following work plans are finished:

a. Work Plan for the Reichs Ministry of Economics
" " " " " " Food and Agriculture
" " " " " " Labor

These three are composed in one work plan for the preparation of a war economy.

b. Work Plan for the Reich Postal Ministry.

c. Work Plan for the Reich Traffic Ministry.

Request the plans to be worked through carefully by the competent ministries. The plans will be discussed beginning of June, when proposals for improvements may be made. The other ministries which have no work plans yet will receive them later on. The office of air raid protection will work out a work plan in conjunction with the Reich Commissariat for aviation.

Min. Rat Godlewski (Ministry of Economics):

1. In case a completed plan for mobilization is to be created a preparation of requisition orders for the supply of raw

materials, creating of war industries and getting in touch with personalities to be charged with these tasks in case of war, is necessary. All this means years of work.

2. What about the financial aspects of this work? Naturally, large sums will be required for it, with which the ministry concerned will be debited. To what extent can this be carried out in practice and to what extent will it remain only paper work once more?

Col. Keitel: Certainly, the working out of these plans requires a long time. The Reichswehr Ministry has worked for years on the principles of Reich Defense, too. The organization of a war economy always requires plenty of money and time. It is just the reason for and the purpose of the working committee of the Reich Defense Council to overcome these difficulties. Proposals and inquiries of the various Reich ministries must be made the subjects of sessions of the Reich Defense Council (Cabinet) by the working committee. It is to be decided there, which tasks have priorities over others and for which purposes means have to be available. Nevertheless, the financing of the various proposals remains a matter of the ministry concerned. The direct influence of the Reich Chancellor on these tasks represents, however, a great progress compared with past times. The various ministries have to submit yearly budget proposals, which are to be approved separately.

Min. Rat Delvendahl (Postal Ministry): Sees an acceleration of the tasks in a direct cooperation with the Wehrmacht experts. Which is the competent agency for that in the Reichswehr Ministry?

Col. Keitel: The Army Organization Department is competent only for the great guiding principles. Technical matters are to be settled with the special offices of the Reichswehr Ministry. Inquiries regarding the specialists are to be addressed to the secretary of the Reich Defense Council, Capt. Schmundt.

Min. Rat Delvendahl (Postal Ministry): Who is competent in questions of general nature?

Col. Keitel: Can be decided only from case to case.

Item 4

Security and Secrecy

Question has been brought up by the Reich Ministries.

The secrecy of all Reich Defense work has to be maintained very carefully. Communications with the outside by messenger service only. Has been settled already with the Post Office, Finance Ministry, Prussian Ministry of the Interior and the Reichswehr Ministry. Main Principle of security: No document must be lost since, otherwise, the enemy propaganda would make use of it. Matters communicated orally cannot be proven, they can be denied by us in Geneva. Therefore, the Reichswehr Ministry has worked out security directives for the Reich Ministries and the Prussian Ministry of the Interior.

Reading of the Security directives (Rn. M.T.A. Nr. 285/33 g.K. T 2 III A dated 19 April 33), by Capt. Schmundt.

Col. Keitel: Under no circumstances communications by mail.

H1118 - 0076

H1118-0077

Min. Rat. Delvendahl (Postal Ministry): Secret but urgent letters can be mailed in locked leather cases wrapped in special envelope. He asks for a moderation of the dispatching directives.

Col. Keitel: The main thing is that the mail in the various ministries is opened by the addressee himself and not by the main office or another agency. It is of utmost importance that ways and means are provided to guarantee an absolutely safe transportation.

Min. Rat Koffka (Ministry of Justice): It is most dangerous to mark the outside of the letters "Secret". Incidentally, up to the present time there is no real protection furnished in the Ministry of Justice. Only one steel safe is available.

Col Keitel: The need for steel safes grows only slowly. The Reichswehr Ministry has spent a lot of money to obtain a sufficient number of steel safes for itself and the branch offices. Steel safes remain, nevertheless, an urgent requirement. Letters are to be addressed to the recipient personally.

Gen. Finanzrat Wagenhensch (Finance Ministry): If letters pertaining to Reich Defense can be written in such a way that in case of loss their contents cannot be recognized as mobilization measures by enemy news services, express matters must be dispatched by mail.

Col. Keitel: The purpose of the directive is not to represent clear unequivocal instructions for all cases, but to point out inherent dangers in case of leakage. Have to be decided separately in every case. Proposals about this matter in June. The purpose, not the form decides.

Item 5

Leaves of absence resp. releases from duty for the purpose of participation in training measures outside the Wehrmacht.

Notices pertaining to this subject have been sent to Ministries already. Reich Cabinet has decided to grant leaves of absence to officials in the services of the Reich, etc., without deducting that time from their recreational leaves. The Reich authorities in the Reich will be informed by the Wehrkreiskommandos. I request the Russian Ministry of the Interior to state whether this measure is to be in effect in its sphere, as well.

Ob. Reg. Rat Diels (Pr. Min. of the Int.): Agrees for Prussia.

Min. Rat Schmidt (Traffic): For the RR officials etc. this will be settled by the H.T.K. The authorities will be informed orally, but how is one to go about the instruction of the laborers. 27,000 workmen at the administration of waterways construction alone? Does that not invite abuses? What about secrecy in that case?

Col. Keitel: Only the authorities are to be informed. The men will be advised by the Wehrmacht agencies themselves. The men volunteer since they are mostly in reserve units. During the training

a. Security
b. Regulation of leaves of absence.

will be explained. Unfortunately, the announcement of a leave will

H1118-0078

schedule is not possible. The Ministries need not worry about the orientation of the men. What matters is that the superiors authorized to grant leaves are informed accordingly in advance.

Item 6

Storage of Weapons

a. Renting of state owned lands (e.g. State Forestry areas) must be accomplished without cost.

b. The Finance Ministry has set up a "re-enforced border control service." The value of this organization lies in the distribution of personnel among the customs sectors - equal to border protection sectors. Exchange of personnel rosters between the customs etc., authorities and the Wehrkreise is in effect already. The peace-time maneuvers of the re-enforced border control service are of great importance.

c. Storage of weapons near the location where they will be needed. Unfortunately weapon stores are not always secret any more (Czech newspaper). Secrecy must be maintained to a much greater extent, appeal to, the assembled gentlemen.

d. Request to the postal authorities: Protection of Reich mail service to be prepared for the event of mobilization (at present available only in case of domestic disorders). The border protection maneuvers in Breslau have disclosed many deficiencies in communications in case of a Polish invasion of Upper Silesia. Police is not to be made available for such purposes. What has been the mission of the Landsturm in days past will have to be carried out by organizations created by the Reich Ministries themselves.

e. Consideration of the interests of Reich Defense when drafting new laws. (Examples: Construction Industry, electrification of railways). Cooperation by the Ministries is requested. Considerations of thrift alone must not be the determining factor. The interests of Reich Defense must not be forgotten for one moment.

Min. Rat Delvendahl (Postal Ministry): Asks for the text of t the cabinet resolution with regard to the Reich Defense Council.

Capt. Tschache (Ministry Office): Reads it.

Col. Keitel: Promises each of the ministries a copy of the decree of the cabinet resolution. A discussion of the work plans in separate sessions is planned for the beginning of June.

Ob. Reg. Diels (Prussian Min. of Int.): Asks the council to deal directly with the Gestapo Department with regard to Reich Defense problems, since furnishes the best guarantee for the secrecy of the problems and tasks and because that office is anyway the competent agency in the Pr. Min. of the Int. to deal with the district registration offices, Control agencies, border protection, etc.

sgd. Keitel

Distribution:
See list of participants in the first part of the document.

- - - - - - - - -

H1118-0079

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC 177

20 November 1945

I, BERT STEIN, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document No. EC 177.

EDGAR BODENHEIMER.

H1118-0080

TRANSLATION OF EXCERPT FROM DOC. EC-252.
OFFICE OF US CHIEF OF COUNSEL

8.7.37

LETTER FROM SCHACHT, also signed by him, To v. Blomberg.

After referring to the economic war measures of Godesburg (wirtschaftliche Kriegsspiel), Schacht emphasizes that he cannot conceive any conduct of war without complete cooperation between Blomberg and himself. He states:

> "The direction of the war economy by the plenipotentiary would in that event never take place entirely independent from the rest of the war machanism but would be aimed at accomplishment of the political war purpose with the assistance of all economic forces. I am entirely willing, therefore, to participate in this way in the preparation of the forthcoming order giving effect to the Defense Act (Reichaverteidigungsgesetz)."

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO.252

23 November 1945

I, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated excerpt from doument EC 252.

H1118-0081

OFFICE OF US CHIEF OF COUNSEL
Translation of Ec. 257

Copy of a personal letter dated 29 December 1937 from Schacht to Thomas thanking him for his New Year's greetings and then stating verbatum:

> "I think back with much satisfaction to the work in the Ministry of Economics which afforded me the opportunity to assist in the rearmament of the German people in the most critical period, not only in the financial but also in the economic sphere. I have always considered a rearmament of the German people as conditio sine qua non of the establishment of a new German nation.

The letter then states:

> "I particularly enjoyed the cooperation with your staff and particularly with you personally. In the past four years I have met with all kinds of opportunism and only rarely met with true and sincere friendship. I have no regrets in forgetting about opportunists with the resignation from the Ministry of Economics but the friends have remained. I thank you that you have afforded me such unreserved assistance in our mutual work and ask you to convey this message to your assistant."

CERTIFICATE OF TRANSLATION
OF DOCUMENT EC. 257.

23 November 1945

I, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated excerpt from Document EC. 257.

TRANSLATION OF DOCUMENT EC 297a
OFFICE OF U.S. CHIEF OF COUNSEL

ADDRESS IN VIENNA

ADDRESS
of the
Reichsbank President
Dr. Hjalmar Schacht
to
the employees of the
former
Austrian National Bank

Vienna,
March 21, 1938.

My comrades:

Though I am nursing a heavy cold and my voice usually sounds somewhat more pleasant, I did not want to put off today's celebration, for it is completely clear that JUST AS AUSTRIA FEELS DRAWN TOWARD GERMANY, SO DOES GERMANY FEEL STRONGLY DRAWN TOWARD AUSTRIA. This is what has occupied my mind and for this reason I wanted to be with you as soon as possible, in order to prove to you how we are thinking in our community and to absorb from you your ways of thinking and feeling; for we use both for the work which we will have to perform JOINTLY from now on.

The feeling that we are living in one of the greatest moments ever recorded in German history has entered deeply into all our hearts. The road of the Nibelungen from the Rhine to the Ostmark has become free again. It is our aim that intercourse of mutual work and cordial friendship will take place on it, in order that that road may never be blocked again in the future. We have often heard certain quarters say during the last weeks and months that Austria has a SPECIAL MISSION. My friends, it is obvious that Austria has a mission as Bavaria or the Hanseatic cities have. After all, it cannot be denied that Prussia has had a certain German mission. BUT, FRIENDS, THERE IS NO GERMAN MISSION OUTSIDE OF GERMANY. (Large applause) Austria has certainly a great mission, namely, to be the bearer of German culture, to insure respect and regard for the German name, especially in the directive of the Southeast. Such a mission can only be performed within the Great German Reich and based on the power of a nation of 75 millions which --- regardless of the wish of the opponents, forms the heart and the soul of Europe.

We have read a lot in the foreign press during the last few days, that this aim, the union of both countries, is to a certain degree justified, but that the METHOD OF EFFECTING THIS UNION was terrible. This method, which certainly did not suit one or another foreigner, is nothing but THE CONSEQUENCE OF COUNTLESS PERFIDIES AND BRUTAL ACTS OF VIOLENCE WHICH FOREIGN COUNTRIES HAVE PRACTICED AGAINST US. These immoral methods started with Wilson's 14 points, in which the right of self-determination of all nations was proclaimed. Just as soon as we put our arms down, in order to make a peace based upon those 14 points, all these promises were gone with the wind. In October, 1918, Germany and Austria were about to effect a "Zollunion" (Customs union) and a very close alliance. Then came the Armistice, and thereafter, the provisional Austrian

H1118 - 0082

"Nationalversammlung" (national assembly), based on Wilson's points, declared it wanted the "Anschluss" (union) with Germany. That was on November 12, 1918, and on February 21, 1919, the constitutionally elected "Nationalversammlung" confirmed this resolution. But the Entente disregarded this declaration of the will of a free people, just as if nothing had happened. That, so far as Germany was concerned, the identical will for reunion existed was evident from the fact that the Weimar constitution of 11 August 1919, provided for Austria's participation in the German Reich, its parliament and its government. The dictates of Versailles and St. Germain expressly prohibited a union of Austria and Germany. Of the many disgraceful things which happened at that time, I would like to point out only one, since the whole world today is overflowing with morality. The castle of St. Germain contained rooms for a museum of ethnology, and precisely the room in which the peace dictate for Austria was written was for the extinct races of mankind. When this was pointed out to Clemenceau, he said the following cynical words: "Well, that fits the Austrian perfectly". THIS WAS THE MORALITY which those gentlemen PRACTICED AGAINST US. THEY HAVE NO RIGHT, NOT THE SLIGHTEST RIGHT, EVEN TO WASTE A WORD OVER METHODS THAT DON'T SUIT THEM. But we are glad the Austrian "race" has not died out, but that it has today received in greater Germany opportunities for greater achievement and development than it ever enjoyed before.

In February, 1921, the Austrian national council again made an attempt at Anschluss (union). It again provided for a plebiscite in order to proceed with the Anschluss. The Entente again threatened Austria with withdrawal of credits, hunger, blockade, and various other things, in order to frustrate this plebiscite. To make the Anschluss impossible, they even went so far as to threaten Austria with the loss of German Burgenland to Hungary. Nevertheless, the older ones among you probably recall the spontaneous voting in Tyrol and Salzburg with the results 98 1/2% in the Tyrol and even MORE THAN 99% in SALZBURG IN FAVOR OF UNION WITH THE REICH. I believe that these expressions of will reveal much better the basic ideas of the Austrian people than a large number of editorials and speeches which we have read during the last months.

THE ECONOMIC DIFFICULTIES of Austria had induced again and again the attempt to achieve closer relations with the great German Reich. The only road which finally was left was indebtedness to the foreign countries. When the Allies finally saw that something had to be done with Austria very soon, the first "Völkerbund Anleihe" (loan of the league of nations) was given to Austria. The so-called Geneva loan protocol of October 4, 1922 contained as principal condition for this loan the obligation on the PART OF AUSTRIA, THAT IT WOULD NEVER GIVE UP ITS POLITICAL AND ECONOMICAL INDEPENDENCE! With such METHODS OF EXTORTION, it was tried to influence the feeling of the people by economical means. The next years are filled with plans, originating partly in Prague, partly in Paris, for a so-called "Danubian Confederation" since it was known that the small country of Austria by itself was not capable of surviving and since it was felt that something had to be done concerning its means of survival. It was the then "Bundeskanzler" (chancellor of the Federal Government), Dr. Seipel, who expresse in the Austrian National Rat on June 27, 1928, the feeling of the Austrian people when he said: "Whatever the economical

H1118 - 0083

schemes planned for Austria, we shall never manage without Germany". All this did not prevent the Allies from persisting in their delusion. When the German Government in the face of increasingly difficult conditions tried to bring about a customs-union in March, 1931, the Allies again intervened by exerting all sorts of political and economic pressure. As a result, both of us, i.e. Austria first and Germany later, were drawn into the most terrible credit crisis which had ever swept over Europe.

In 1932, Austria was once more temporarily helped out of the crisis by a renewed bondage to foreign countries and no compunction was felt in reiterating the clause of the old Geneva Protocol of 1922, according to which Austria may not surrender its economic independence.

I think it is quite useful if we recall these things to our mind in order to expose all the sanctimonious hypocrisy exuding from the foreign press. Thank God, these things could after all not hinder the great German people on their way, for Adolf Hitler has created a communion of German will and German thought, he bolstered it up with the newly strengthened Wehrmacht and he then finally gave the external form to the inner union between Germany and Austria.

I am known for sometimes expressing thoughts which give offense and there I would not like to depart from this custom (hilarity). I know that there are even here in this country a few people --- I believe they are not too numerous --- who find fault with the events of the last few days. But nobody --- I believe --- doubts the goal and it should be said to all grumblers that you can't satisfy everybody. One person says he would have doneit maybe in one way, but the remarkable thing is that they did not do it (hilarity), that IT WAS ONLY DONE BY OUR ADOLF HITLER (Long continued applause) and if there is still something left to be improved, then those grumblers should try to bring about these improvements from the German Reich and within the German community, but not to disturb it from without. (Lively agreement).

THE UNION OF OUR TWO BANKS is but a small link in this great event, a link which has to maintain the chain, but which gives a special new task to each of us. May I also point out here, that Austria did not come to us with empty hands; rather I should like to recall to you who are working in the Austrian National Bank, the PROUND TRADITION of this institution. The German Reichsbank is slightly older than the Austrian National Bank, for it was founded already by Frederick the Great in 1765 and it transferred as the Prussian Bank to the . . . Reichsbank in 1875. The Austrian National Bank was founded as privileged National Bank in 1817, formed then from 1878 on together with Hungary, the Austrian Hungarian Bank and after the war, from 1923 on has been carried on under the name, Austrian National Bank. The economic and currency problems in the old Austro-Hungarian monarchy were, to some extent, much more difficult than in most other countries. The older ones among us, who know the history of the note banks, can only speak with the greatest respect of the achievements of the Austrian National Bank or of the Austro-Hungarian Bank. It has mastered all problems with immense objectivity, with the best scientific foundation, and yet with a strong sense for the necessity. It was a model institution, and if the employees and workers of this institution are still full of that same spirit which I have

H1118 - 0084

H1118 -0085

known from previous occasions --- and I am convinced that this is so --- that I can only say: "We, in the GERMAN REICHSBANK ARE GLAD TO HAVE YOU AS CO-WORKERS". (Long, lasting applause).

My dear friends, whenever I have occasion to speak at home before the Reichsbank and its employees, I always try to remind my co-workers of this: the Reichsbank has never succumbed to any inner-political influences. The Reichsbank has always been true to the exhortation of Frederick the Great to be THE SERVANT OF THE STATE, to pursue a national policy and never to do anything not useful to the benefit of the German people. This goal united everybody in the Reichsbank from the executive down to the last clerk and therefore we are proud of being members of the Reichsbank. The Reichsbank considers itself as that office upon whose cleanliness, conscientiousness and sense of duty the state can most securely depend. (Stormy applause)

The wish to which I want to give expression here, in the full conviction that it will be fulfilled is:

Transfer the faith, the sense of duty, with which you have served this office, to the greater institution, grew together with us in an inseparable esprit de corps of decency, diligence and performance of duty. Then we are not only going to be good comrades to each other, but we all are going to have the feeling that everybody is accomplishing on his part, a great task, even if it seems to be very small.

I would like to say a few details about our future co-operation. First, in regard to the business side, we already started to make direct payments by "sino" between Berlin and Vienna. On Saturday "sino" remittance from Berlin to Vienna and today it is also working the other way. We shall soon extend this arrangement to all branches and the whole Austrian territory will be incorporated in the "sino" system of the Reich. When we arrived here a few days ago, we had, of course, to take a number of security measures, which should mainly prevent the removing from Austria of anything that we can use quite well, here. (Hilarity). In the course of carrying out these precautions, we froze payments above a certain amount. Since, however, I am certain that border intercourse around greater Germany will, within a very short time, be efficiently supervised, I believe that we can abolish this freeze in a few days.

Without laying any blame upon the National Bank, a large part of its business consists in winding up engagements from the depression year of 1931 now that the Reichsbank is opening its doors here, I should like to make an attempt to build up new business in new fields. We want to become a good and successful helper of the Austrian economy and we shall soon find sufficient opportunity for this. Austrian business will unquestionably pick up in the course of the development being stimulated here by the National Socialist economic policy. This will also open up new business opportunities for the Reichsbank and the latter will be able to render good services to both the discount and the loan (Lombard) business. At the moment, the money market in Vienna is still comparatively fluid. I believe that, when business is once stimulated in Austria, this money will, in the course of time, be put to good use. But we want to try right away to give Vienna the benefit of the Berlin money market and provide opportunities for short-term investments.

H1118 - 0086

In particular, the promissory notes (Selawechsel) of the Gold Discount Bank pay better interest than anything available at the moment here in Vienna and we, therefore, want to make them available for money investments here also. Furthermore, it is quite obvious that the Austrian Banks will also participate in the next Reich loan.

You will see from that that we have the desire of strongly promoting the economic activities of Austria. We know very well that the incorporation of Austria into the control machine which we were forced to impose upon our economy, will cause some difficulties. But we shall try to keep the difficulties as small as possible and to give a major independent activity to Austrian economy in industry as well as in banking. I especially hope that the old Austrian EXPORT BUSINESS will be maintained at the same high level as in the past. Finally we are going to give to the stock exchange here a broader security market by introducing a number of first-class German stocks.

A few more remarks about the organic fusion of the two institutions. From the greetings conveyed to me by wire from Vienna and from the branches, I have already realized how great are joy and readiness for cooperation existing everywhere and I would like to express my thanks for these greetings here and now. It is unvavoidable that we should first send a group of German experts to reduce the organization to the same denominator. Their number will, however, be very small, first because there are very great similarities in the organization of the two institutions, and second, because we are confident that the officials and employees of the Austrian National Bank will work just as well and as faithfully as those of the Reichsbank. I have confidence in all of you, that you are going to perform your duties within the frame work of the Reichsbank just as well as the old members of the Reichsbank, and I know you are not going to disappoint me. (Strong, lasting applause). This is also the reason for our willingness to incorporate at once the entire staff of the Austrian National Bank into the Reichsbank. May I make a human remark: confidence is enjoyed only by him who bestows confidence.

And now I should like to express the gratitude of the Reichsbank board of directors and my personal thanks for everything that has been done up till now. I want to thank the management of the Austrian National Bank for the laborious work performed through all these years. These have been difficult times, which have made almost superhuman demands on the willingness to sacrifice, the health, the strength and the endurance of the individual. My thanks go also to the assessors (Zensoren), whose cooperation, I trust, we shall continue to enjoy in the future, for it has always been a main point of our program to keep in close touch with all circles of industry, as well as with the farmers.

And now I am at the end of today's remarks. I wanted to come to you as quickly as possible to show you that nothing stands between you and us and that we are one single family in the Reichsbank (stormy, lasting applause). If you form such a family unit, it is above all necessary to get mutually acquainted and therefore I should like to present to you two of my companions, who have come here with me today: Reichsbankdirektor Blessing, who in the future, will be in charge of Austrian affairs in Berlin and,further, our loyal personnel administrator, Stellenleiter Oberkampf. For I have said to myself that it is not only a matter of getting acquainted with "Big shots" (lively hilarity), but also of having the staff get into touch with one another. I also thank your Fachschaftsleiter, Mr. Wolf, very particularly for his words of welcome, which have shown me that we shall certainly grow into one family. And I thank you, Mr. Wolf, very especially for saying that the denunciation nuisance must stop. (stormy applause). In all movements and in all human works there are loud-mouthed and silent fighters. The loud-mouthed fighters are seen and heard, but the silent fighters are often overlooked. I consider it completely impossible that even a single person will find his future with us who is not wholeheartedly for Adolf Hitler. (strong, continued applause; shouts of "Siegheil") Whoever does not dos so had better withdraw from our circle of his own accord. (Stormy applause).

H1118 - 0087

I think I can say that I am quite well liked among my officials and employees in the Reichsbank, for in every stage of life I have stood up for the people entrusted to my management. (stormy applause). Today I should like to say quite frankly to you: If you have to make any complaint against co-workers, I am the competent authority, and no one else. I shall see to the removal of anyone who does not fit into our framework, but I will also not allow anyone to be insulted or denounced with impunity. The Reichsbank will always be nothing but National Socialist, or I shall cease to be its manager. (heavy, protracted applause).

Now I shall ask you to rise. (The audience rises). Today we pledge allegiance to the great Reichsbank family, to the great German community; we pledge allegiance to our newly arisen, powerful Greater German Reich and we sum up all these sentiments in the allegiance to the man who has brought about all this transformation. I ask you to raise your hands and to repeat after me:

I swear that: I will be faithful, and obedient to the Fuehrer of the German Reich and the German people, Adolf Hitler, and will perform my duties conscientiously and selflessly. (The audience takes the pledge with uplifted hands).

You have taken this pledge. A scoundrel he who breaks it. To our Fuehrer a triple "Siegheil".

I certify that the above translation is correct and done to the best of my ability.

Mr. Paul Richfield

Certification of Translation Date, 13 November 1945 of Document #297.

I Paul Richfield hereby certify that I am thoroughly conversant with the English and German languages and that the above is a true and correct translation of Document # 297.

Paul Richfield.

H1118 - 0088

Copy.

Translation of Document EC. 369
Office of U.S. Chief of Counsel

Translation
recorded
DAY MONTH YEAR TIME
executed 10/1 2020
By L/ Through an

RK 717 - B 11 Jan. 1939.

Berlin
Main Telegraph Office
11/1

Telegraph Service of the German Reich

Telegram from Berlin FD 112/109 10 2002

TO

the Fuehrer and Reichs Chancellor

Berlin

The Subscription to the fourth Reich loan of 1938 which ended yesterday did not bring the expected results despite special propaganda. Of the amount of .....RM. 1500 Millions, taken over by the Reich Loan Committee, a partial amount of RM 415 Millions could not be placed through public subscriptions. Of this shortage approximately.....RM. 275 Millions will be subscribed to through The credit facilities of the Savings Banks and Associations. The banks represented in the Loan Committee hope to be able to sell gradually the balance of RM. 140 Millions. The already unsatisfactory result is to further impaired by the fact that approximately..... .....RM. 160 Millions of previous loans had to be serviced during the subscription period.

Signed
Dr. Schacht.

x - Notes written in longhand on document.

Verg. RK 707 B LB
S. Ang.v. 14,1
Miss Buge (Initialed
1) (one word illegible
1 Photostat
remains with the Files
2) Presented to the Fuehrer to-day
3) Illegible Initials

Respectfully submitted
to the Reich Minister
(Initialed

- - - - - - - - - - - - - - - - - -

The President
of the
Reichsbank Directory

Berlin SW111, 7 Jan.1939

Confidential Reichsbank matter.

To

The Fuehrer and Reich Chancellor

Berlin

The Reichsbank, for a long time, has pointed out the dangers to the currency resulting from overstraining of public expenditures and of short terms credits. At the end of 1938, the currency and financial position has reached a danger point, which compels us to ask for measures which make it possible to master the threatening danger of inflation.

From the beginning the Reichsbank has been aware of the fact that a successful foreign policy can be attained only by the reconstruction of the german armed forces. It (the Reichsbank) therefore assumed to a very great extent the responsibility to finance the rearmament in spite of the inherent dangers to the currency. The justification thereof was the necessity- which pushed all other considerations into the background- tocarry through the armament at once, out of nothing and furthermore under camouflage, which made a respect-commanding foreign policy possible.

H1118 - 0089

groups which were not affected by the wave of wage increases, for instance. certain groups of the textile industry. However among other labor- and merchandise-groups, wage- and price increases took place which especially lately assumed very extraordinary proportions. These increases become especially evident during the last 10 months of 1938. Beginning in March and through the period of the austrian and Sudetenland invasion and the actions connected therewith, the wage-and price structure totally fell apart. Also, it is regrettable that a slackening or even a return to the former basis is not noticeable after the termination of our foreign political actions.

In regard to investments in stock on hand to which must be added the stock for armaments, the price increases are due to the excess of orders and the pressure for quick production. These demands have caused the failure of all planning by the authorities placing the orders, as well as the firms executing them. The parties placing the orders force the manufacturers to corner material and labor which has caused an excessive price-and wage racket because of the shortage of material and labor. In the field of consumer goods increases in prices were due to lack of sufficient quantity and quality. Especially in the field of daily requirements for the home and clothing, the lack of supply and above all the decline of quality is most evident. Children clothes, workers clothes etc., which formerly lasted for years last now only months, but cost the same or even more than the former good merchandise. On top of it, the well paid laborer overbids the less fortunate worker, which creates much ill feeling especially as far as food is concerned.

The currency however is endangered to a decisive degree by the unstricted public expenditures. The unlimited growth of the government expenditures nullifies each attempt for an orderly budget, it brings the government finances to the verge of bankruptcy despite a tremendous increase in taxes and it undermines the Noten-bank and the currency. There is no"recipe" or system of financial or money technic, regardless how ingenous or well thought out it may be, there are no organization or or control measures, which would be effective enough, toprevent the disastrous effects on thecurrency caused by a policy of unlimited expenditures. No note issuing bank is capable of maintaining the currency standard against an inflationary policy of expenditures by the government.

Due to Treasury deficits running into billions (Milliarden), the Minister of Finance, during the last months, was continuously placed in the position to declare insolvency or to cover the deficit in the Reich finances through inflationary means of using the printing press. (to issue money). Unfortunately, the Reichsbank can prevent this in the following field: The above-mentioned placement of approximately RM 6 Milliarden MEFO acceptance-Bills in the money market was possible only with the promise of the Reichsbank to honor them (The MEFO acceptance-Bills) at any time (against cash). Should it be necessary for the Minister of Finance because of excessive expenditures, to draw funds from the institutions with which MEFO acceptance-Bills have been placed, then these acceptances will be presented tothe Notenbank and will cause an inflationary increase of money in circulation. The ingenious and risky structure, which the Reichsbank organized to finance the armament, is consequently being shaken in its very foundation.

Furthermore to prevent the danger of inflation, provisions had been made, to redeem the MEFO acceptance-Bills 5 years from date of issuance. We are however faced with the fact that approximately RM 3 Milliarden of such acceptances can not now be paid, though they will be due in 1939. Thus one of the most important correctives to prevent inflation, becomes ineffective, and it does away with one of the basic conditions, under which the early financing of the government expenditures through the Notenbank seemed bearable, no longer exists.

H1118 - 0090

In carrying out this program it was decisive to prevent signs of inflation, because an inflation would not only have undermined the confidence in the National Socialistic leadership, but also because nothing can be gained materially through an inflation. At best, an inflation can deceive for a very short time the unexperienced broad masses as to the declining purchasing power of money, but leads then very quickly to an all the more greater disappointment. Economically it leads to the destruction of liquid capital funds, it disorganizes the tax revenues and with them the total finances of the state, it undermines the desire to save and therefore renders impossible the placement of government loans, it raises the cost of imported necessary goods and will stop the clearing machinery and its great advantages, so that finally foreign trade comes to a stop.

In order to prevent signs of inflation, the Reichsbank, from the beginning, has insisted on two fundamental requirements:
1) a control over the money- and investment market
2) a control of prices and wages.

In connection with the latter, the first signer of this letter as minister of economy, has urged the re-ins tatement of a price controller

(after the discontinuance of the price control offices headed by Dr. Goerdeler), who was then newly appointed in the person of Gauleiter Josef Wagner.

The other requirement has been taken care of by a decision of the cabinet in May 1933, which provided for a control committee presided over by the president of the Reichsbank.

The control over the money- and investment market was intended to serve 2 purposes: First, the consolidation of short-term Reich obligations in the investment market and second, the placement of short-term Reich notes (Mefo-acceptances etc.) in the money market. The use of the money-market made it possible to place approximately RM 6 Milliarden Mefo-Acceptances outside the Reichsbank, in addition to the Mefo-acceptances of approximately RM 6 Milliarden which the Reichsbank carried in its portfolio, what without burdening the money circulation. This was possible as the Reichsbank declared itself ready to dash at any time Mefo-acceptances, so that the available cash funds of the german economy could find in these acceptances a continuously renewing investment, however temporary.

These two controls over the money-and investment market on the one hand and over wages and prices on the other hand operated (functioned) fairly satisfactorily, so long as the german economy had not arrived at the point of full employment. The production costs remained low due to greater utilization of the productive capacity and industry could cover its working capital requirements from rising operating profits without availing itself of the investment market to any large extent. The effectiveness of the controls however had to decline the closer the german economy neared the point of full-and overemployment. The expansion of industrial plants, the employment of unskilled labor and lower productivity due to longer working hours, increased the costs of production, exhausted operating profits and forced industry more and more to replenish its financial requirements in the open investment market, which until then could be held available mainly for the financial requirements of the Reich. The investment market therefore was bound to fail for the increased requirements.

The overemployment of the economy was accompanied by scarcity of materials and labor and by a lowering of the quality. At the same time the relative production of consumer goods for daily needs lagged, so that the problem arose of increased total wages against a smaller quantity of consumer goods. Fast growing wages and price increases were the causes of this development. Of course the past increases of prices and wages differentiate. There are a number of goods for which prices have been maintained or probably even were lowered a little, and there are labor

H1118 - 0091

The overall german exchange position at the present is therefore as follows:

1) Foreign: gold-or foreign exchange reserves of the Reichsbank are no more in existence. The unfavorable balance of imports over over exports is increasing fast. Exports no longer equal the value of our necessary imports. The reserves, created through the annexation of Austria and the requisition of foreign securities and domestic goldcoins, are exhausted. The receipts for foreign exchange, which were issued by the control office (Devisenstellen) the time of importation, are today, to a a greater part, not covered by actual income of foreign exchange and therefore run the risk, that someday they can not be paid due to lack of foreign exchange. Therefore the last foreign credit to cover our imports of goods would then be ruined.

2) Domestic: the assets of the Reichsbank consist almost in total of government securities (mainly MEFO acceptance-Bills). The Notenbank (note issuing bank) is therefore totally blocked and will not be in the position to grant the necessary credits when so required by commerce and industry. Exclusive of the Reichsbank, there are approximately RM 6 Milliarden MEFO acceptance-Bills which can be discounted against cash payment at any time at the Reichsbank, which fact represents a continous danger to the currency.

On January 1, 1933, the currency in circulation amounted to 3660 Million Reichsmark. Up to March 1, 1938 it increased to 5278 Million Reichsmark. This increase of approximately 1,7 Milliarden Reichsmark in more than 5 years did not cause any mistrust in the currency policy, because during the same period the production of german industry almost doubled and there was not only an increase in the production of capital goods but also in the production of consumer goods.

From March 1, to December 31, 1938, however, the currency circulation rose to 8,223 Reichsmark, that is without including 2 Milliarden Reichsmark required for Austria and the Sudentenland. It therefore increased during the last 10 months more than during the preceding 5 years. The relationship of currency in circulation to the production of consumer goods alone is of al importance to the stability of the currency value. Provided the currency circulation increases faster than the consumer goods production then an increased purchasing power is available to the total number of consumers against a lesser amount of goods offered, which must cause prices to rise. Covering the expended money with real estate, securities etc., can not retain the currency value as is clearly evidenced by the history of the assignate money of the French Revolution where in spite of forced rates , severe penalties etc., a complete depreciation of currency occurred.

While an increase of public expenditures during the two great actions in Austria (Ostmark) and Sudetenland was a matter of necessity, the fact, that after the termination of these actions a reduction of the expenditures is not noticeable, makes it now our imperious duty to pay attention to the effects on the currency, because all indications are that a further extension of the expenditures is planned.

It is not our duty to prove to what extent an unrestrained policy of expenditures is compatible with the income and savings of the german economy or with the social requirements of the population. However it is our responsibility, to draw attention to the fact that a further use of the Reichsbank, be it direct or through requisitioning of the money market otherwise, is not compatible with a sound currency policy, but must lead direct to the road of inflation. The undersigned directors of the Reichsbank agree, that, while they have gladly cooperated to attain the great goal, it is now time to put a stop to it. An increase in the

H1118 - 0092

production of goods is not possible by the increase of papermoney. (scraps of paper). By increasing the circulation of money and in view of the already fully taxed and even over taxed german industry, one can only increase prices and wages but not production.

We are convinced that the effects on the currency caused by the policy of the last 10 months can be mended and that the danger of inflation again can be eliminated by strict maintenance of balance budget. The Fuhrer and Reich Chancellor, himself, has publicly rejected, again and again, an inflation as foolish and fruitless. (useless). We therefore ask for the following measures:

1) The Reich as well as all the other public offices must not incur expenditures or assume guaranties and obligations that can not be covered by taxes or by those funds which can be raised through loans without disturbing the longterm investment market.

2) In order to carry out these measures effectively, full financial control over all public expenditures must be restored to the Reich Minister of Finance.

3) The price- and wage control must be rendered effective. The existing mismanagement must be eliminated.

4) The use of the money- and investment market must be at the sole discretion of the Reichsbank.

(signed) Reichsbank - Directory

Dr. Hjalmar Schacht Dreyse

Pocke Ehnhard Puhl

(illegible)(illegible) Blessing

- - - - - - - - - - - - - -

Reich Chancellery
Rk 11 B g now RK 717 b, 707 B

Berlin, January 14, 1939

Secret

1. to

a) Mr. Reich Minister of Economy Funk - personally! -

b) Mr. Secretary of State Reinhardt

c/o Mr. Government Counsel Guendel - personally! -

re a) Dear Mr. Reich Minister !

re b) Dear Mr. Secretary of State.

Brk

see RK 1628

Kpl./Brk

14.1. enclosed in each one copy (initials)

With reference to the long distance telephone conversation, which Mr. Reich Minister Dr. Lammers had with you, I am pleased to enclose, by

order of the Reich Minister, the photostat of a petition addressed to To the Fuhrer by the directors of the Reichsbank, which please keep confidential.

Heil Hitler

Respectfully yours

signed Kritzinger

Ministerialdirektor

2. after making copies

Obediently submitted to
the Reichminister for
his information

3)Z.d.Vorg (N.d.H.Min.Dir.Kritzinger)

8 initials

- - - - - - - - - - - - -

Reich Minister

s RK 1628 B II

Berlin, January 19, 1939

1)

RK 27 B g Rs
now RK 1628 B secret matter of state

To

the Fuhrer and Reich Chancellor

Reppectfully submitted together with the two certificates of dismissal for the Reichsbank President,

Reichminister Dr. Schacht.

I was unable today to reach Dr. Schacht via long distance, but I informed him by telegram and his housekeeper by messenger, that you, my Fuhrer, are expecting him tomorrow morning at 9 o'clock.

½ Bg

19.1. Bg.

one copy submitted to

Min. Dir. Dr. Meerwald

2) 2 telegrams of the Reich service: Reichbank President

Dr. Schact

a) Berlin SW 111 Reichsbank

b) Berlin-Dahlem Vogelsang 9

H1118 - 0093

H1118 - 0094

Fuhrer expects you tomorrow Friday morning nine o'clock

Reichminister and Chief of the Reichchancellery

Dr. Lammers

3) Z.d.A.

(N.d.H.RMin.)

- - - - - - - - - - - - -

Copy of Telegram

(German Reich Post)

To

During the night

Reichsbank President Dr. Schacht

Reichsbank Berlin C 111

free of charge

Reich Chancellery

Fuhrer expects you tomorrow Friday

morning 9 o'clock

Reichminister and Chief of the

Reich Chancellery

Dr. Lammers

19.1.39

at 23.35 o'clock

transmitted by telephone

to the Main Telegraph office

initialed 19/1

belongs to file RK 27 Bg. Rs

- - - - - - - - - - - - -

Copy.

Reich Minister

Berlin, January 20, 1939

RK 1628 B

1) The Fuhrer has today signed the enclosed decree.

It will not be published

2) To

the Reichsbank Directory

Berlin SW 111

enclose -1- photostat

I am pleased to enclose, in photostat, a decree by the Fuhrer dated

H1118 - 0095

January 19, 1939 of which please take notice.

At the same time I have the honor to inform you that the Fuhrer has recalled from office the President of the Reichsbank Dr. Hjalmar Schacht in accordance with paragraph 6 section 7 of the banking act and has appointed to the presidency of the Reichsbank, Walther Funk, who retains his office as Reich Economic Minister.

The Fuhrer, has further recalled from their offices, the members of the Reichsbank Directory, Vice-President Dreyse and Reichsbank Director Huelse.

(handwritten notes)

not quite illegible

handwritten note:
"a copy of the letter covering 1) and 2) has today at 11 o'clock been handed by me to Mr. Vice President Dreyse (initialed)

- - - - - - - - - - - - -

Copy.

RK 1628 B

3) To
Mr. Vice President of the Reichsbank Directory Dreyse

Berlin SW 111

Dear Mr. President:

The Fuhrer has recalled you from your offices as member of the Reichsbank Directory in accordance with paragraph 6 section 7 of the banking act.

Please allow me to enclose the certificate of your dismissal

Heil Hitler

enclose 1 copy. Respectfully yours

4) To the member of the Reichsbank Directory
Mr. Reichsbank Director Huelse

Berlin SW 111

Dear Mr. Reichsbank Director (same as 3)
enclose 1 copy

5) a) Mr. Min. Dir. Kritzinger (initialed)
b) Mr. Reichscabinet Counsel Dr. W...(initialed)
please take notice

6) Z.d.A. (N.d.H.RMin.)

- - - - - - - - - - - - - -

now RK 707B

Jan. 10, 1939 (stamped)

1 enclosure (double)

Secret!

REICHSBANK-DIRECTORY

Berlin, SW 111, Jan. 7, 1939

Respectfully submitted to
Reich Minister

initials (illegible)

We are pleased to enclose a petition to the Fuehrer and Reich Chancellor signed by the members of our board which you will please s ubmit to the Fuehrer at your earliest convenience. We enclose a special copy for your own information.

R e i c h s b a n k D i r e c t o r y

(signed) Dr. Hjalmar Schacht Dreyse

Miss Buge (some workd illegible)

Pencil notes:

1) Presented today to the Fuehrer

2) Decision of the Fuehrer appears in the enclosed decree of the Fuehrer of today and the dismissal and appointment documents dated Jan. 20, 1939.

3) Illegible initials

To
the Reich Minister Dr. Lammers

Chief of Reich Chancellory

B E R C H T E S G A D E N

Bank 12 (Illegible pencil notes)

- - - - - - - - - - - - - -

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC. 369

23 November 1945

I, HANS OHRNBERGER, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document No. EC. 369.

HANS.R. OHRNBERGER
Civilian

H1118 - 0096

H1118 - 0097

Translation of Ec. 383

MILITAR-WOCHENBLATT ("Military Weekly Gazette")
founded 1816
Editorial Administration
Berlin SW 68, Kochstrasse 68-71
Telephone: A 1 Jager 7591

(IN PENCIL:) I. Schacht
Berlin, 16 January, 1937

Most esteemed Colonel:

In accordance with your wish, we are sending the article about Dr. Schacht back to you with our best thanks. It will appear on 22 January in "Militar-Wochenblatt" No. 28.

With German greetings,
Devotedly,

Enclosure:

Tillmanns
Major Gen., ret.

Dr. Hjalmar Schacht

On 22 January, Dr. Hjalmar Schacht, the President of the German Reichsbank, entrusted by the Fuhrer and Reich Chancelor with the direction of the Reich Economics Ministry, will celebrate his 60th birthday.

When the history of our age comes to be written, his person will play a special role in it. President of the Reichsbank at a time when the German currency, which had collapsed in the inflation, had to be built up again, guardian of this currency in the system period as long as he was able in any manner to reconcile it with his conscience, adviser to the Fuhrer in the period of struggle, again Reichsbank president and director of German economic policy and, as such, finally, the man who made the reconstruction of the Wehrmacht economically possible -- truly a career that, running through all depths and heights, elevates this man to one of the most significant phenomena of our day.

The German Defense Force commemorates Dr. Schacht today as one of the men who have done imperishable things for it and its development in accordance with directions from the Fuhrer and Reich Chancelor. The Defense Force owes it to Schacht's skill and great ability that, in defiance of all currency difficulties, it, according to plan has been able to grow up to its present strength from an army of 100,000 men. Together with the pro-Defense Force Reich Finance Minister, President Schacht insures the provisioning of the Defense Force and is a helpful and energetic adviser to the leading military agencies in all defense industry questions. The will of the Fuhrer to bring the Defense Force up to ever greater strength is also a first commandment for Schacht; his economic policy is sound defense policy.

H1118 – 0098

The Defense Force (Wehrmacht) wishes for this great political economist and warm friend of the Defense Force that many years of activity for the good of Fuhrer and piople, Reich and Defense Force may still lie before him. He should know on this day that the Defense Force thinks of with gratitude and cordiality.

(Unsigned)

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO.EC 383.

23 November 1945

I, LAWRENCE ECKER, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the indicated excerpt from Document EC.383.

Lawrence Ecker

H1118 - 0099

TRANSLATION OF DOCUMENT EC-397
OFFICE OF U S CHIEF OF COUNSEL

Berlin, 19 January 1939

Dear Mr. Minister!

On the occasion of your recall from office as President of the Reichsbank Directory I take the opportunity to express to you my most sincere and warmest gratitude for the services which you rendered repeatedly to Germany and to me personally in this capacity during long and difficult years. Your name, above all, will always be connected with the first epoch of the national rearmament. I am happy to be able to avail myself of your services for the solution of new tasks in your position as Reichsminister.

Wtih German Greetings

Your

(Signed) A. Hitler

To
Mr. Reich Minister
Dr. Hjalmar Schacht
Berlin

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC-397

21 November 1945

I, HANS OHRNBURGER, civilian, hereby that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document EC-397.

HANS OHRNBURGER

TRANSLATION OF DOCUMENT EC 404
OFFICE OF U S CHIEF OF COUNSEL

The Reichwehr Minister (Stamped) 9 Feb. 1934

Berlin
7 Feb. 1934

50 copies
14th copy

Secret Command Matter

Stamped
WaWi
12 Feb. 1934

Minutes of Conference of the sixth session of the Working Committee of the Reich Defense Counsil

(Footnote: "the reports of the individual departments are repeated in form of excerpts") (Stamp on bottom of first page: No. 279/34 g. Kdos. Wa Wi")

time:	23 Jan. 34	Beginning	10:15	A.M.
	23 Jan. 34	End	13:10	P.M.
	24 Jan. 34	Beginning	10:15	A.M.
	24 Jan. 34	End	13:50	P.M.

Participants:

Reichswehr Ministry:

Troop Office: Lieutenant General Beck
Colonel v. Gossber (only on 24 Jan.)
Lt. Col. Stapf
Lt. Col. Niedenfuehr
Lt. Col. Jodl
Ministry Counsellor Dr. Weber
Maj. Zorn
Maj. Wagner
Maj. Richter (only on 24 Jan.)
Maj. (retired) Gercke
Capt. Wolff
Capt. Prueter
Capt. Schmundt

Wehr Office: Col. Guderian
Maj. Osterkamp
Maj. Nehring
Maj. Nieter
Maj. Irmisch (only on 24 Jan.)
Maj. (retired) Punt
Capt. Koelitz

Minister Office: Major General v. Reichenau(only on 24 Jan)
Col. v. Vietinghoff
Corvette Capt. Langsdorff
Major Wable
Capt. Boehme
Capt. Count Kanitz
Capt. (retired) v. Holtzendorff
Capt. (retired) Heiss (only on 23 Jan)

Arms Office: Lt. Col. Stud
Maj. Warlimont
Maj. Hauger (only on 24 Jan.)

Administration Office: Ministry Councillor Reich
Ministry Coumsellor Heufer

"H", Army: Division Chief Kuethe (only on 23 Jan.)
"Regierungs" Counsellor Muehle

Navy Administration: Rear Admiral Dr. (honorable degree) Groos
Fleet Capt. Knenipel
Fleet Capt. Ciliax
Fleet Capt. (retired) Gochle
Corvette Capt. Horstmann
Corvette Capt. Nordmann

H1118-0100

H1118-0101

Corvette Capt. Machens (only on 24 Jan.)
Lieutenant Capt. Wagner
Ministry Counsellor v. Stein
Ober Regierung Counsellor Beuster
(only on 24 Jan.)

Reviewers for the Reich Defense of the Reich Departments and the Prussian State Ministry.

Foreign Office:	Legation Secretary v. Buelow Legation Secretary Haas (only on 23Jan)
Reich Ministry of the Interior:	Ministry Counsellor Erbe
Reich Finance Ministry:	Ministry Counsellor Dr. Bender Ministry Counsellor Wapenhensch
Reich Economy Ministry:	Ministry Counsellor Godlewski Regierung Counsel Dr. Barth
Reich Labor Ministry:	Ministry Counsellor Schroeder Reich Labor * Office Director Jaspersen (only on 24 Jan.) Lt. Col. (retired) Hofmann Reich Command of the Labor Service
Reich Post Ministry:	Ministry Counsellor Delvendahl (only on 23 Jan.) Lt. Col. Dohne, "V.O." with the Reich Post Ministry (only on 23 Jan.)
Reich Traffic Ministry:	Ministry Counsellor Schmidt Regierung Banrat Walther Reichsbahn Director Dr. Ebeling (only on 23 Jan.) Ministry Counsellor Sussdorf Reichsbahn Oberrat Luettge Maj. Zuckertort, "VO" with the Reich Traffic Ministry
Reich Justice Ministry:	Ober-Regierungsrat Dr. Riese
Reich Ministry for Food & Agriculture:	Ober-Regierungsrat Dr. Dietrich Major (retired)Kriegsheim Staff director of the main division 1 in the Administration Office of the Reich Food Estate
Reich Air Ministry:	Major (retired) Speidel Capt. (retired) Behrendt Regierungsrat Giessler Mr. Heydenreich (only on 24 Jan.) Mr. Tschirsig (only on 24 Jan.)
Prussian State Ministry:	Regierungsrat Dr. Schnitzler
Supreme SA - Command:	Brigadefuehrer Juettner Sturmbannfischrer Count v. d. Schulenburg.

The Chief of the Troop Office
Lt. Gen. Beck: opens the sixth session and welcomes the representatives of the chief of staff of the S A and of the Reichsbahn Administration who are present for the first time.

Pointing to the military political situation, as was stated in the beginning of the fifth session, Lt. General Beck emphasises that the preliminary work for the Reich defense allows for no delay.

Establishment of the actual state of preparations is the purpose of this session. It represents the basic for the continued work. At the same time, the competence of various offices, particularly in the field of war economy has to be settled definitely.

The questions raised by the Reichswehr Ministry may give some suggestions to the report writers.

H1118-0102

Reich Finance Ministry

First Report: Ministry counsellor Dr. Bender
Questions 1 - 3 deal mainly with measures for the accomplishment of preparedness of financial for war.

Answer: This question is divided in three main groups
a) Financing a mobilization and the need for the first 30 days.
b) Making the funds available.
c) Financing the continued war course.

Measures have not been taken, since decisions of the participating departments chiefs have not yet been submitted. An examination has been concluded in the Reich Finance Ministry as far as department reviewers are concerned.

Later negotiations with the Reichsbank were taken up with the Reich Economy Ministry participating. At present, preliminary questions are being worked on at the Reichsbank. In about three months, the preparatory work can be finished as far as department reviewers are concerned.

In case of a suddenly occurring conflict, financing of mobilization can be carried out in the shortest time (24 hours.) According to the opinion of the department reviewers of the Reichsbank, the inventories of the Reichsbank of piece money (Stueck Geld) (paper money and coins) are sufficient.

At present, statistics are also being compiled to be able to make comparisons with inventories at the outbreak of the world war. Important is the knowledge of Army needs for each single day of the first 30 days of mobilization and for the second and third months of the war. The question of financing later conduct of the war is not urgent, but has to be examined.

The question of to what extent purchases for the mobilization can be made against "ANERKENNT-NISSE" - acknowledgements have to be answered from the standpoint of Reich finances to the effect that should be made of them as much as possible.

An early knowledge of the new War Services is very desireable.

Lt. General Beck:

Data on the need of the Wehrmacht (armed forces) have to be compiled speedily.

A draft of the War Services Law will be handed out in February.

Question 4: What Financial and fiscal measures will have the effect of strengthening plants essential for war and of maintaining them?

Answer: Finance political measures: Subsidies, loans and shares.

Fiscal measures:

1. Paragraph 1 of the Reich Abgaben Ordnung (Reich Taxation Regulations) enables the Reich Finance Minister to moderate taxes or to make exemptions from them. Examination of the individual case.

2. The Law of 1 July 1933 (Reich Gesetz Blatt - Reich Law Bulletin - 1 page 383) provides for tax reductions for replacement procurements: Procurement costs of machines may be deducted from the profits.

3. The Law of 15 July 1933 (Reich Law Bulletin) page 491; paragraph 1 provides for tax reductions for repairs in and additions to plant buildings. 10% of these expenditures may be deducted from taxes.

4. Paragraph 3 of the same law authorizes the Reich Finance Minister to grant tax exemptions and reductions.

H1118-0103

REICH ECONOMY MINISTRY.

Ministry Counsellor Godlewski:
Starts his report with general statements. At the beginning of the work. A new field. The question of whether to pick up where the war economy of 1918 left off or to start from scratch was in view of the changed circumstances, decided in favor of the second alternative. Since the time limit is set for 1 October 1934, the work is divided in three parts:

1. Statistics on requirements and the possibility to cover it.

2. Draft of plans for filling supply gaps and legal preparations.

3. Preparations for setting up an organization.

The foreign political situation forces us to deviate from the plan and out of the three parts to give preference to the most necessary measures, which can be taken before 1 April 1934. Then will follow the first goal -- (on 1 October 1934) the distant goal, which will have to be:

To provide about 240,000 plants with mobilization orders and a mobilization calendar; to accomplish this work that will take years is necessary.

Regierungsrat Dr. Barth: Takes over in answering the questions.

Question 1a: Status of preparations of organizational measures for the conduct of war economy in its preparatory peace activities?

Answer: Present organization for planning and management of the work:

a. On the highest level: Beside the general review office and the groups for raw material, fuel, finished goods, technical matters, and foreign trade, corresponding committees are to be set up which should be in close touch with the Army Arms Office.

Sub-committees for statisitics, prices and skilled workers. Classification of skilled workers who hold key positions is important. The money economy will be regulated with the Reich Finance Ministry and the Reichsbank. The Reichsbank has appointed a full-time administrator. In the Reich Economy Ministry full time assistants to experienced department workers have been appointed, an increase in their number has been prepared.

b. In the local organization: Solution for the time being: Trade inspectors of the provinces ("Laender") are temporarily at the disposal of the Reich Economy Ministry. Final solution: 14 full-time department workers with eight Prussian Provincial Prefects and six Reich Governors or State Governments (landesregierungen). Details have to be worked out. Funds for this purpose have been requested in the budget for 1934-35.

Question 17b: Status of organizational measures for the conduct of war economy in view of a surprising "A" case, occurring before the conclusion of the planned preparations.

Answer: A plan for further extension has been drafted:

a. Englargement of the Reich Economy Ministry.

b. Twenty-three War Economy Offices (attached to fourteen Prussian Provincial Prefects and Reich Governors).

Directors: People from the Reich Economy Ministry, from Chambers of Commerce and foreign trade agencies who have to be provided with far reaching power.

c. Establishment of War Economy Offices in countries and country-free cities.

d. Professional, public-law management agencies at main headquarters. The carrying-out of measures directed at saving of individual raw materials, etc. by assignment, ear-marking and settlement.

The ability to function is only a question of people and space. On paper the organization is set up, it can be ready by 1 May.

Ministry Counsellor Godlewski: To this end assignment of the persons concerned is necessary. Fundamental decision of the question whether this seems possible from the view point of foreign policy.

Lt. Col. Stud: Connection with industry has to be taken up. Proposal: Nothing in writing, the military purpose may not be traceable.

Lt. General Beck: Promises a decision.

Question 2. Status of preparations for legislative measures involved in surprisingly occurring "A" case.

Answer 1: A decree concerning ear-marking and seizure of 38 raw materials, is ready. Others will follow.

2. As to finished products, data for the regulation of consumption (ration coupon system) will probably be ready by the middle of February. Their transformation into a decree is set by 1 April.

3. Decrees with the purpose of facilitating importation and rendering exportation more difficult are ready for 38 raw materials.

4. The price examination decree is ready.

5. The authorization law for the Reich Economy Minister is prepared. Publication of the "War Services Law" by the Reichswehr Ministry is urgent!

Lt. Col. Stud: Supports the proposal and deems it necessary to let go into effect the parts applicable in peace-time.

Lt. General Beck: A draft of the War Services Law will be forwarded to the Reich Ministry in the beginning of February.

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CERTIFICATE OF TRANSLATION
OF DOCUMENT EC 404

19 November 1945

I, Arthur Allen, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a correct and true translation of Document No. EC 404.

Arthur Allen

H1118-0104

TRANSLATION OF EXCERPTS FROM EC-405
OFFICE OF US CHIEF OF COUNSEL

Excerpts from Minutes of the 10th Meeting of the Working Committee of the Reich Defense Council.

Time: 26.6.35 Begun: 10:00
Place: Large Conference room of R.K.M. Ended: 12:40

Pp. 5-10:

Generalmajor v. Reichenau:

1) Opens the meeting and introduces to the Working Committee as new members:

Herr Min. Dir. Dr. Krümmel, as R. V. special representative (Referent) for the Reich Ministry for Science and National Education (Wissenschaft, Erziehung und Volksbildung)
Herr Director Dr. Müller of the Reichsbank, as R. V. special representative for the Reichsbank Board of Directors.

He states that, with the exception of the Reich Conservator of Forests (Reichsforstmeister), who has already requested that a R. V. special representative be designated, all the highest Reich authorities are participating in the preparations for and the responsibility for the defense of the Reich and are represented in the Working Committee.

He greets, further, SS-Gruppenführer Heyderich, who was requested for his own enlightenment to take part in the meetings of the Working Committee.

In taking up the newly added fields of activity, Gen. Major v. Reichenau repeats the already frequently expressed plea that, in confident cooperation, not only the demands of the Wehrmacht be supported, but that, also, suggestions for new lines of activity be brought forward from one's own sphere of work and placed before the Working Committee.

He states, further, that the securing of the Wehrmacht's supply bases and the preparation for planned employment of the German people's economic resources are just as important prerequisites for the defense of the German living space (Lebensraum) as are the military preparations proper.

2) There has been a change in the head of Section L of the Wehrmachtsamt and also in its representation in the Working Committee. Oberst v. Vietinghoff gen. Scheel has been succeeded by Oberstlt. Jodl.

3) The information concerning the military situation, desired by certain departments, has been stricken from the agenda because the rapid expansion of the Wehrmacht and the fluid political situation make going into such matters at this time seem inexpedient. Insofar as information concerning the military situation will help the members of the Working Committee to perform their tasks, it will be furnished them in the course of their cooperation with the individual Wehrmacht offices.

The question of standardization of identification papers has also been dropped from the agenda, since the preliminary work in one of the departments (Ressort) concerned has not yet been finished.

4) Today's deliberations occur at a turning point in the history of our nation, the regaining of military sovereignty and the reintroduction of universal compulsory military service.

The most important legal foundations for the restoration of military preparedness and the direction of the nation in war have already been laid.

The compulsory military service law (Wehrgesetz) has already been proclaimed. In addition, the following laws have been drawn up by the Reich Government and put into effect:

H1118-0106

a) The Reich Defense Law.

This furnishes the framework and foundation for all preparations for the defense of the Reich. Certain concepts -- defense status and mobilization -- pertaining to a unified preparedness for war are established and defined herein.

It also regulates the powers of the Plenipotentiary General for the War Economy. Wartime economy will be able to solve the problems put to it, only if it has been prepared in time of peace. Therefore, this peacetime preparation, also, was to be assigned to the Plenipotentiary General. For this reason, the Reich Government drew up the following decree on 21.V:

"Supplementing the Reich Government's resolution of 4.4.33 and 12.4.34 regarding the formation of a Reich Defense Council, the Reich Government has drawn up the following decree:

1) The "Plenipotentiary General for the War Economy", appointed by the Fuehrer and Reich Chancellor for the eventuality of mobilization, begins his work while peace still obtains. Following directives issued by the Reich Defense Council, he will direct the economic preparations for the event of war, insofar as they do not fall within the jurisdiction of the Reich Minister of War where they concern the armament industry. In case of mobilization, there will be placed under his authority:

Reich Ministry for Economic Affairs,
Reich Ministry for Food and Agriculture,
Reich Labor Ministry,
Reich Finance Ministry,
Reichsbank,

the last two, insofar as financing the conduct of the war is concerned. These Ministries and supreme Reich authorities are bound, in peacetime, too, by his directives for the preparation of the war economy.

2) The Reich Minister of War and the Plenipotentiary General for the War Economy will cooperate closely in the preliminary measures of mobilization.

3) The Plenipotentiary General for the War Economy is a permanent member of the Reich Defense Council. In the permanent Working Committee, he represents, through his operations staff, the interests of the war economy. The special representatives (Referenten) in the Reich Defense Council of the Ministries listed under Point 1 are bound by the directives of this operations staff."

The regulation of the tasks of the Plenipotentiary General relative to this peacetime preparation will be contained in the Military Economic Regulations (Wehrwirtschaftsordnung), now in process of preparation in the Reich War Ministry, which will be distributed to the highest Reich authorities concerned, for their opinions.

By decree of 31.5.35, the Fuehrer and Reich Chancellor has taken the President of the Reichsbank, Dr. Schacht, into consideration as the Plenipotentiary General.

b) Law Providing Total Mobilization for War (Kriegsleistungsgesetz)

This law makes it possible to require from the German people all services and material contributions that must be demanded of them for the conduct of the war and the achievement of victory. It places every German, his person and his property, at the service of Reich defense.

This drafting of the entire strength of the people is an absolute prerequisite for the necessary total preparedness in the sense of the modern conduct of war.

The utilization of German manpower in its entirety is effected through the "Deutscher Volksdienst" (German National Service.). This service, which will drastically effect the individual life of every German, is incorporated in a special law, the

c) National Service Law (Gesetz uber den Deutschen Volksdienst)

The Volksdienst makes possible the drafting for personal service of all Reich citizens between the ages of 15 and 65 who have not been called up for military duty.

The direction of the Volksdienst is the responsibility of the Reich Labor Minister.

Military service and national service are to be administered with the closest possible agreement between the Reich Minister of War and the Reich Minister of Interior, on the one hand, and the Reich Labor Minister on the other.

In connection with these war laws, the Cabinet further determined upon a "Security Law" (Gesetz uuber den Sicherungszustand), to replace Article 48 of the old Constitution. Even though internal disorders are not to be expected under present conditions, the enactment of this peacetime law is necessary to the completion of the legal framework for safeguarding the security of the Reich.

The Fuehrer has ordered that the promulgation of these laws be postponed until further notice. Although unproclaimed, they constitute the basis for military and civil preparations in case the situation becomes serious. The Total Mobilization Law (Kriegsleistungsgesetz) will be made known, subject to special security provisions, to the administrative authorities of the middle grades (mittleren Verwaltungsbehörden), including the district presidents (Regierungspräsidenten), and to the authorities of like grade in the other Reich departments (Ressorts). An order concerning this has recently been issued to the Reich departments.

Pp. 42-45:

Generalmajor v. Reichenau:

The Reich War Minister is entirely aware of the validity of the demands made by the individual departments, which are based for the most part on his directives. For this reason, he has decided to divert from Wehrmacht funds a considerable sum for the Reich defense measures in the civil field.

All departments must recognize the fact that the demands of the Wehrmacht have first priority. As long as it is not even possible to assure the financing of the planned 36 Divisions of the Army (Heer) and the other Wehrmacht units in the desired strength, even urgent demands of the civilian administration must be rejected. Moreover, the Reich Minister of War will do what he can this very next year to see that sufficient funds are secured for the most pressing civil needs.

F. Oberstlt. Jodl (W.A. (L)):
on "Participation in Mobilization Preparations".

The practical execution of the preparatory mobilization measures ordered by the Wehrmacht and the supreme Reich authorities requires a considerable expansion in personnel concerned. The principle that "results are more important than concealment" (Wirkung geht vor Deckung), applies here in connection with mobilization preparations. This loosening of the heretofore closely restricted circle of persons must not be permitted to result, after the publishing of the conscription decrees (Wehrfreiheit), in alarming the public, here and abroad, by a succession of conspicuous measures preparatory to mobilization.

The provisions of the decree, "The Reich Minister of War W.A. No. 1375/35 g.K. L IV a of 26.6.35", are in general the authority for the guidance of officials, organizations, and individuals in the future. In accordance with this, all the resources of the nation that are indispensable to the preparation of the R.V. can be drafted or at least prepared, while keeping within the limits of the security regulations issued.

The existence of mobilization preparations is not to be admitted, however, to persons not directly concerned (Unbeteiligten). The individual mobilization measures are still subject to the directives issued concerning secrecy. Insofar as they cannot be camouflaged, they are to be explained on the basis of peacetime necessities.

The demilitarized zone requires special treatment. In his speech of 21.5.35 and other utterances, the Fuehrer and Reich Chancellor has stated that the stipulations of the Versailles Treaty and the Locarno Pact regarding the demilitarized zone are being observed. To the Aide memoire of the French Charge d' affaires, of 17.6.35, on "Recruiting offices (Ersatzdienststellen) in the demilitarized zone", the German Reich Government has replied that neither civilian recruiting authorities (zivile Ersatzbehörden) nor other offices in the demilitarized zone have been entrusted with mobilization tasks such as the raising, equipping, and arming of any kind of formations for the event of war or in preparation therefore.

Since political entanglements abroad must be avoided at present under all circumstances, only those preparatory measures that are urgently necessary may be carried out. The existence of such preparations or the intention of them must be kept in strictest secrecy, in the zone itself as well as in the rest of the Reich.

These preparations include, in particular, the following:

a) Mobilization measures pertaining to the national police (Landespolizei) and the security police (Schutzpolizei), as well as to the Gendarmerie.

b) Mobilization measures pertaining to transportation and communications.

c) Preparation for the "liberation of the Rhein".

d) Preparation of local defense (Ortsschutz).

H1118-0109

e) Preparation of the Reinforced Frontier Guard (Verstärkten Grenzaufsichtsdienst).

f) Preparation of blockade measures (Sperrmassnahmen).

g) Preliminary mustering of horse-drawn and motor vehicles.

h) Preparation for evacuation measures.

i) Mobilization measures for drafting of persons. (Mob. Massnahmen fur die personelle Erfassung.)

j) Preparation of economic mobilization.

Commitment to writing of directives for mobilization purposes is permissible only insofar as it is absolutely necessary to the smooth execution of the measures provided for the demilitarized zone, and without exception such material must be kept in safes. Weapons, equipment, insignia, field-grey uniforms and other items stored for mobilization purposes must be kept from sight. Mobilization drills, roll-calls, and training with military weapons are forbidden. I am calling the attention of all administrative authorities participating in mobilization preparations in the demilitarized zone to the prudence prescribed by the present political situation and am emphasizing especially that in the demilitarized zone, in contrast to the rest of the Reich, the principle that "concealment is more important than results" (Deckung geht vor Wirkung) must be applied at present.

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC-405

19 November 1945

I, Grace E. McConnaughey, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the pages indicated of Document EC-405.

Grace E. McConnaughey

TRANSLATION OF DOCUMENT EC 408
OFFICE OF U S CHIEF OF COUNSEL

Div. of National Defense (Abt. Landesverteidigung) | Secret Command Matter | 30.12.1936

Initialed G. 31/10 | 4 copies, 3rd. copy.

Report Memorandum

on the Four Year Plan and preparation of the war economy.

The Führer and Reich Chancellor has conferred powers in regard to mobilization preparations in the economic field that need further definition.

Powers were granted:

1. The Reich Minister of War and Commander in Chief of the Wehrmacht, by decision of the Reich Government on 4.4.33, to act as competent representative of the Fuhrer and Reich Chancellor in matters concerning Reich defense.

   As stated in the Cabinet decree, he is responsible for the execution of the measures determined upon by the RVR and issues the directives for it to the Reich Ministries and other offices, which are then responsible for the further steps necessary.

   This grant of authority definitely takes into account the superior position, in time of war, of the R.K.B., which is emphasized by the delegation of the executive power (cf. RVC).

2. The Plenipotentiary General for the War Economy, through the Reich Defense Law and the Reich Government's resolution of 21.5.35.

   The G.B. (Generalbevollmachtigte), according to this, is to commence his work in peacetime and direct the economic preparations for the eventuality of war.

   To this end, the economic departments (Ressorts) were uniformly placed under his authority in matters concerning the R.V.

3. Minister President Generaloberst Göring, as Commissioner for the Four Year Plan, by authority of the Führer and Reich Chancellor, granted 18.10.36.

   As regards the war economy, Min. Pres. Gen. Oberst Goring sees it as his task "within 4 years to put the entire economy in a state of readiness for war." (Cf. letter Göring - Schacht St.M.R.V. 516 g.Rs. of 18.12.36.)

   Minister President Gen. Oberst Göring was also given far-reaching powers to issue directives to all the highest offices (Obersten Dienststellen) of the State and the Party.

The mere comparison of these tasks has shown (see correspondence Min. Pres. Gen. Oberst Göring - Minister Schacht as G.B. for War Economy) that this situation is untenable.

A fruitless correspondence will be carried on among the offices of the three persons empowered to accomplish the same tasks, without leading to unified cooperation in attaining the goal.

It is recommended, therefore:

That the Fuehrer be asked to limit the authorized powers on the following basis:

H1118-0110

1.) Reich Minister of War.
during war: executive power, in order to secure uniformity in the conduct of the war by order of the Fuehrer.
in peacetime;

a.) Power to issue directives to all highest Reich agencies for the uniformity of all preparations, insofar as demands must be adjusted and the decisions concerned do not warrant the attention of the Fuehrer.

b.) Unlimited command and control right in the armament concerns and in their utilization as well. (sowie deren Bestimmung).

2.) Plenipotentiary General for the War Economy.
during war: Centralized direction of war economy, excluding armament industry.
in peacetime: Unified preparation of the war economy as heretofore.

3.) Commissioner for the Four Year Plan.
during war: suspended (aufgehoben).
in peacetime: Safeguarding the independent basis of the life and economy of the German people. To the extent that this task entrenches upon the sphere of the Plenipotentiary General for the War Economy (G.B. für die Kriegswirtschaft), joint action should be taken (im Einvernehmen handeln). In case of divergent purposes, the decision will be made by the Fuehrer and Reichs Chancellor after consultation with the Reich Minister of War.

CERTIFICATE OF TRANSLATION
OF DOCUMENT EC 408

19 November 1945

I, Grace E. McConnaughey, Civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of Document No. EC 408.

Grace E. McConnaughey

H1118-0111

TRANSLATION OF DOCUMENT EC-416
OFFICE OF U S CHIEF OF COUNSEL

H1118-0112

Secret Reich Matter.

Minutes of Cabinet Meeting (Ministerrat) of

4 September 1936, 12 Noon.

Chairman: Ministerpraesident Generaloberst Goering
Reichskriegsminister Generalfeldmarschall von Blomberg
Reichsbankpraesident und kommissarischer Reichs- und
Preussischer Wirtschaftsminister Dr. Schacht
Reichsfinanzminister Graf Schwering von Krosigk
Preussischer Finanzminister Prof. Dr. Popitz
Staatssekretaer Koerner
Wirtschaftsbeauftragter des Fuehrers Keppler
Ministerialdirektor Staatsrat Neumann
Stabsamtsfuehrer des Reichsbauernfuehrers Dr. Reischle
Keeper of the minutes: Lt. Col. Loeb of the General Staff.

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Min.Pres. Goering:

Today's meeting is of greater importance than all previous meetings.

At the last cabinet meeting of 11 August 1936 it was agreed that supplementary material was needed in order to make it possible to reach a decision.

Meanwhile new trouble has arisen, especially in connection with non-precious metals and rubber; even the Fuehrer has been drawn into this affair.

In the discussion of 1 September 1936 it was established that any trouble must be avoided before the Parteitag (Party Meeting); Geh. Rat Allmers had no authority for the letter in which he speaks of a 2-3 working week for the automobile industry. On 1 September 1936 temporary measures for the period lasting until the middle of October, when a decision will be reached, were ordered and are to be carried through.

In the same meeting special attention was called to our unpaid claims upon foreign countries which are presumably higher yet than the reported claims. Thus it is stupid to rack one's brain because of a few million marks. But an examination must be made in order to find out whether the claims reported as bad cannot really be collected.

Existing reserves will have to be touched for the purpose of carrying us over this difficulty until the goal ordered by the Fuehrer has been reached; in case of war they are not a reliable backing in any case.

Certain persons have been asked for memoranda on the basis conduct of economy. So far only one was presented by Dr. Goerdeler and it is absolutely useless. In addition to many other erroneous thoughts it contains the proposal of considerable limitation of armaments.

In this connection it should be stated that the authority of the Col. General refers to the "insuring of armaments" which must rather be sped-up than slowed down.

The Fuehrer and Reichskanzler has given a memorandum to the Col. General and the Reich War Minister which represents a general instruction for the execution thereof.

It starts from the basic thought that the showdown with Russia is inevitable. What Russia has done in the field of reconstruction, we, too, can do.

Just what sort of risk it is, that our industry is afraid of, compared to the risk in the field of foreign affairs which the Fuehrer runs so continuously?

The Fuehrer is going to have a memorandum issued concerning the financila angle of this problem.

Research on the problem of increasing exports, e. g., has shown that fundamentally new ways can hardly be found. It will not be possible to create a balance of foreign exchange merely by means of export. The "New Plan" of the Reichswirtschaftminister is acceptable in its basic features - but it can be improved in details.

The Colonel General reads the memorandum of the Fuehrer.

The Colonel General is responsible for the execution of the tasks outlined in the memorandum.

If war should break out tomorrow we would be forced to take measures from which we might possibly still shy away at the present moment. They are, therefore, to be taken.

Two basic principles:

1) We must strive with greatest energy for autonomy in all those fields in which it is technically possible; the yearly amount of foreign exchange savings must still surpass that of the first proposal of the raw materials and foreign exchange staff anticipating a savings of 600 million Reichsmarks.

2) We have to tie over with foreign exchange in all cases where it seems necessary for armament and food.

In order to provide for foreign exchange, its flow abroad must be avoided by all means; on the other hand, whatever is abroad must be brought in.

The Fuehrer is going to speak very soon to the industrial leaders and expose to them his fundamental thoughts.

In view of the power of the State the necessary measures can definitely be carried through. Frederic the Great, to whom reference is being made from the most diverse sides, was in his financial behaviour a strong inflationist.

Through the genius of the Fuehrer things which were seemingly impossible have become a reality in the shortest time; last example: introduction of the two-year service law and recognition on the part of France that we need a stronger Wehrmacht than France herself. The tasks now ahead of us are considerably smaller than those which we have already accomplished.

H1118-0113

All those measures which can be carried through with internal German money are possible and should be carried out. Through them the requirements of industry and food supply needing foreign exchange must be pushed into the second line.

All measures have to be taken just . . if we were actually in the stage of imminent danger of war.

The execution of the order of the Fuehrer is an absolute command.

End of meeting: 1300.

H1118-0114

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO EC-416

21 November 1945

I, Marie-Louise Acton, civilian, hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of the Document No. EC-416.

Marie-Louise Acton

PUHL DEPOSITION
DOCUMENT NO. EC-436
OFFICE OF U S CHIEF OF COUNSEL

DEPOSITION

2 November 1945

I, Emil Puhl, was a Director of the Reichsbank during the entire period of Dr. Schacht's Presidency of the Reichsbank in the years 1933 to 1939.

In the early part of 1935 the need for financing an accelerated rearmament program arose. Dr. Schacht, President of the Reichsbank, after considering various techniques of financing, proposed the use of "mefo" bills to provide a substantial portion of the funds needed for the rearmament program. This method had as one of its primary advantages the fact that secrecy would be possible during the first years of the rearmament program and figures indicating the extent of rearmament that would have become public through the use of other methods could be kept secret through the use of "mefo" bills.

"Mefo" bills, abbreviation for "mefo-wechsel", were drawn by the armament contractor and accepted by the Metallurgische Forschungsgesellschaft m.b.H. These bills ran for six months with extensions running for three months each consecutively. The total life of these bills varied and in some instances exceeded four years. The Reichsbank could discount the original bill any time within its last three months. The co-endorser and drawer did not have to accept any liability. (This provision results from a guarantee of the bill by the Reich.)

These "mefo" bills were used exclusively for financing rearmament, and when in March 1938, a new finance program discontinuing the use of "mefo" bills was announced by Dr. Schacht, there was a total volume outstanding of twelve billion marks of "mefo" bills which had been issued to finance rearmament. One of the primary reasons for discontinuing financing rearmament with"mefo" bills was that by the spring of 1938 it was no longer considered necessary to keep secret the progress of German rearmament. The rearmament boom had reached such proportions by the spring of 1938 that it became possible to raise sums by taxation and by the sale of government securities which could never have been raised when the armament program acceleration began in 1935.

I hereby swear that the foregoing is a true and correct statement of the facts.

EMIL PUHL

Witness: FOSTER ADAMS

Witness: MERLE K. BRENIZER

H1118-0116

COPY OF DOCUMENT NO. EC.439
OFFICE OF U.S. CHIEF OF COUNSEL

AFFIDAVIT OF GEORG VON SCHNITZLER.

I, Georg von Schnitzler, a member of the Vorstand of I.G. Farben, make the following deposition under oath:

At the end of Fecruary 1933, 4 members of the Vorstand of I.G. Farben including Dr. Bosch, the head of the Vorstnad, and myself were asked by the office of the president of the Reichstag to attend a meeting in his house. The purpose of which was not given. I do not remember the two other colleagues of mine who were also invited. I believe the invitation reached me during one of my business trips to Berlin. I went to the meeting which was attended by about 20 persons who I believe were mostly leading industrialists from the Ruhr.

Among those present I remember:

Dr. Schacht, who at that time was not yet head of the Reichsbank again and not yet Minister of Economics.

Krupp von Bohlen, who in the beginning of 1933 presided the Reichsverband der Deutschen Industrie which later on was changed in the semi-official organization "Reichsgruppe Industrie".

Dr. Albert Vogler, the leading man of the Vereinigte Stahlwerke.

Von Lowenfeld from an industrial work in Essen.

Dr. Stein, head of the Gewerkschaft Auguste Victoria, a mine which belongs to the I.G. Dr. Stein was an active member of the Deutsche Volkspartei.

I remember that Dr. Schacht acted as a kind of host.

While I had expected the appearance of Goring, Hitler entered the room, shook hands with everybody and took a seat at the top of the table. In a long speech he talked mainly about the danger of communism over which he pretended that he just had won a decisive victory.

He then talked about the "Bundnis" (alliance) into w hich his party and the Deutsch - Nationale Volkspartei had entered. This latter party in the meantime had been reorganized by Herr von Papen. On the end he came to the point which seemed to me the purpose of the meeting. Hitler stressed the importance that the two aforementioned parties should gain the majority in the coming Reichstag election. Krupp von Bohlen thanked Hitler for his speech. After Hitler had left the room, Dr. Schacht proposed to the meeting the raising of an election fund of - as far as I remember - RM 3.000.000. The fund should be distributed between the two "Allies" according to their relative strength at the time being. Dr. Stein suggested that the Deutsche Volkspartei should be included which suggestion when I rightly remember was accepted. The amounts which the individual firms had to contribute were not discussed.

H1118-0117

I did not take part in the discussion but reported the matter the next day or the overnext to Dr. Bosch in Frankfurt who together with Geh. Rat Schmitz had reserved exclusively for themselves the handling of distribution of money to political parties, the press etc. and had made a special appoint of "Vertraulichkeit" (secrecy) in this respect.

Dr. Bosch did, as far as I remember, not make any remark to my report, but shrugged his shoulders.

I never heard again of the whole matter but I believe that either the buro of Goring or Schacht or the Reichsverband der deutschen Industrie had asked the office of Bosch or Schnitz for payment of I.G.'s share in the election fund. As I did not take the matter up again I not even at that time knew whether and which amount had been paid by the I.G. According to the volume of the I.G. I should estimate I.G.'s share being something like 10% of the election fund, but as far as I know there is no evidence that I.G. Farben participated in the payments.

I understand the English language.

G. von Schnitzler

Sworn to before me this 10th day of November 1945 at Frankfurt, Germany.

Otto P. Stroubel ?
2nd. Lt. Inf.

OFFICE OF U. S. CHIEF OF COUNSEL
TRANSLATION OF EXCERPT OF DOC. EC 27

Lecture of General Thomas before the Dozentem-Lehr-gang des Lehrstabes (staff instructors' course) on 28 Feb. 1939 in Saarow-Pieskow

"The national socialist state, soon after taking over the power, has reorganized the German economy in all sections and directed it towards a military viewpoint, which had been requested by the Army for years. Due to the reorganization, agriculture, commerce and professions become those powerful instruments the Fuehrer needs for his extensive plans, and we can say today that Hitler's mobile politics as well as the powerful efforts of the Army and economy, would not have been possible without the necessary reorganization by the National Socialist Government. We can now say that the economic organization as a whole, corresponds with the needs, although slight adjustments will have to be made yet. Those reorganizations made a new system of economics possible which was necessary in view of our internal and foreign political situation as well as our financial problems. The directed economy, as we have it today concerning agriculture, commerce and industry is not only the expression of the present State principles, but at the same time also the economy of the country's defense. * * * "

CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. EC 27

22 November 1945

I, Leo Loeb, Civilian hereby certify that I am thoroughly conversant with the English and German languages; and that the above is a true and correct translation of an excerpt from Document No. EC 27.

Leo Loeb